Austria ... Sch 20	Indonesia ... Rp 2500	Philippines ... Pes 20
Bahrain ... Din 0.650	Israel ... IS 3.50	Portugal ... Esc 100
Belgium ... BFr 45	Italy ... L 1800	S. Arabia ... Rls 6.00
Canada ... C$1.00	Japan ... Y650	Singapore ... S$ 4.10
Cyprus ... C£0.70	Jordan ... Fils 500	Spain ... Pta 125
Denmark ... DKr 8.00	Kuwait ... Fils 500	Sri Lanka ... Rup 30
Egypt ... £E1.00	Lebanon ... £L 25.00	Sweden ... Skr 7.00
Finland ... Fmk 6.50	Luxembourg ... LFr 45	Switzerland ... SFr 2.20
France ... FFr 6.50	Malaysia ... Rkr 4.25	Taiwan ... NT $65
Germany ... DM 2.20	Mexico ... Pes 300	Tunisia ... Din 1.375
Greece ... Dr 80	Morocco ... Dh 6.00	Turkey ... L 350
Hong Kong ... HK$ 12	Netherlands ... Fl 2.75	U.A.E. ... Dh 6.50
India ... Rup 15	Norway ... Nkr 7.00	U.S.A. ... $1.00

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FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,036 Friday September 19 1986 D 8523 B

Reagan bows to his right, Page 7

World news

Aquino vows to tackle rebels

Philippine President Corazon Aquino, in an emotional speech before a joint meeting of the US Congress, said that if she failed to negotiate peace with Communist guerrillas threatening her country she would not flinch from "taking up the sword of war."

The fifth woman to address a joint session of the Congress, she told the packed house: "I will not stand by and allow an insurgent leadership to spurn our offer of peace and kill our young soldiers, and threaten our new freedom." Page 24

Sri Lanka bomb

A car bomb exploded in Batticaloa, Sri Lanka, killing 12 civilians and injuring seven policemen. Tamil militants were suspected.

Refugee agreement

East Germany agreed to stop allowing Third World refugees free passage through East Berlin into West Berlin and, hence, into the Federal Republic. Page 2

Broadcasting row

France's Conservative Government suffered another embarrassing rebuff from the Constitutional Council, which deemed several parts of the Government's controversial broadcasting deregulation laws unconstitutional. Page 24

Lahore killing

Pakistani security forces opened fire on curfew violators attacking religious buildings, shooting dead one man as clashes continued between Moslem sects.

South African poll

Expectations of early South African general elections rose after the ruling National Party's convincing by-election victory in the Klip River constituency of northern Natal. Page 3

US Chief Justice

US Senate confirmed President Reagan's appointment of Justice William Rehnquist, a conservative, as the nation's 16th Chief Justice. Page 7

Court reprimand

The European Parliament was sharply reprimanded by the president of the European Court and ordered to freeze spending of advance election cash paid out to the major EEC political groups. Page 2

Raids reported

Lebanese security sources said Israeli aircraft strafed several villages in south Lebanon, setting buildings ablaze but causing no casualties. The Israeli military command denied it.

Call to Chile

The Council of Europe called on Chilean President Augusto Pinochet to end martial law, release opposition leaders and free detainees.

Gulf blaze

Fire-fighting tugs extinguished a blaze on a Kuwaiti supertanker in the northern Gulf and saved most of its $25m cargo, regional shipping sources said.

Reindeer slaughter

Lapp hunters began the slaughter in southern Norway of reindeer contaminated by radiation from the Soviet nuclear power plant accident at Chernobyl in April. The Government will compensate 200 families who will lose a year's income.

Survival scheme

Tuvalu Prime Minister Tomasi Puapua said he had asked industrialised nations to set up a trust fund so that the interest accrued could pay the running costs of his tiny and impoverished South Pacific nation.

Business summary

Honeywell may buy Sperry division

HONEYWELL, US computer manufacturer, scotched rumours of the break-up of the company by announcing cost-cutting measures and possible acquisition of Sperry's aerospace business from Burroughs. Page 24

WALL STREET: By 3pm the Dow Jones industrial average was 5.20 lower at 1,764.20. Page 50

LONDON: Weaker sterling benefited international issues although interest worries resulted in a retreat from earlier highs. The FT-SE 100 index closed 3.8 higher at 1,614.2 and the FT Ordinary share index added 4.4 to 1,279.6. Page 50

TOKYO: Despite the decline on Wall Street prices rallied for the first time in five sessions. The Nikkei average closed 141.73 higher at 17,478.35. Page 50

DOLLAR ended in New York at DM 1.9875, SFr 1.6085, FFr 6.5125, and Y153.55. It fell in London to DM 1.9900 (DM 2.0275); FFr 6.5200 (FFr 6.6450); SFr 1.6100 (SFr 1.6395), and Y153.60 (Y154.75). On Bank of England figures the dollar's exchange rate index fell from 110.2 to 109.1. Page 43

STERLING ended in New York at $1.4755. It fell in London to $1.4725 ($1.4755); DM 2.9300 (DM 2.9925); FFr 9.6025 (FFr 9.8050); SFr 2.3700 (SFr 2.4200), and Y226.0 (Y288.50). Page 43

GOLD rose $6.125 to $419.75 on the London bullion market. It also rose in Zurich to $418.375 from $412.875. In New York the December Comex settlement was $422.60. Page 42

MALAYSIAN Government admitted it was behind the tin buying operation on the London Metal Exchange in 1982 that ended in losses estimated at hundreds of millions of dollars. Page 42

BANK OF ENGLAND has punished three British banks which defied its wishes by taking part in a $200m (£136m) floating-rate note for the Bank of China. Page 24

UNION PACIFIC, large US railroad and energy company which operates between Chicago, California and Texas, is taking over Overnite Transportation, a major east coast trucking operator, in an agreed cash transaction worth $1.2bn. Page 25

ELECTRICITY costs for some UK chemical and steel plants are to be reduced by up to 15 per cent to make them more competitive with other European plants. Page 10

SONY, Japanese consumer electronics manufacturer, reported net profits down 59.5 per cent at Y7.08bn ($46.7m) and lowered its income forecast for the year from Y62bn to Y46bn. Page 28

COCA-COLA, world's biggest soft drinks company which is selling its bottling and canning operations in South Africa, plans to sell some of its operations to black South African investors. Page 26

FIRST CITY Financial, Canadian company with wide interests, raised its stake in Exco, the London financial services group, to 9.8 per cent. Page 24

ICI of the UK confirmed the reorganisation of its four bulk chemical divisions into a £3.5bn subsidiary. Page 9

FRENCH Government is preparing to raise FFr 4bn ($602m) by selling part of its majority stake in Elf Aquitaine, the country's biggest oil group. Page 25

RIO TINTO ZINC, UK-based mining, energy and industrial group, announced a fall in half-year attributable profits from £118m ($174m) to £83m, and revealed the acquisition of ABM Chemicals from Dalgety for £30m. Page 34

GOLD: Werner Peterhans, former head of gold and currency dealing at the Soviet Union's former bank in Switzerland, Wozchod Handelsbank, pleaded guilty to charges he violated banking law and falsified documents, leading to the bank's collapse.

Chirac warns of continued threat from Arab terrorist attacks

BY DAVID HOUSEGO IN PARIS

MR JACQUES CHIRAC, the French Prime Minister, warned the country last night of a continuing threat from Arab-backed terrorism but declared that those responsible would not escape.

In a brief television message, he reasserted the Government's resolve not to yield to terrorist blackmail.

His broadcast came as confusion deepened over the identity of the two terrorists responsible for the bombing on Wednesday night of a Paris store in which five people died and more than 50 were injured.

French police claimed yesterday that two witnesses had identified the men who threw the bomb from a passing BMW car on the basis of police photographs. They were named as Emile Ibrahim Abdallah – brother of Georges Abdallah, the suspected leader of the Lebanese Armed Revolutionary Faction jailed in France – and Salim el Khoury, a member of the same group wanted by police since 1985.

Although the disclosures appeared to mark the first significant advance by police in their investigations since the current wave of violence began, doubts resurfaced last night. The French national newsagency reported that one of their journalists had met Emile in his village in the Lebanon. The French authorities suggested he still would have had time to fly back.

Reflecting the continuing violence, Colonel Christian Goutierre, the French military attache in Beirut, was shot as be arrived for work at the French embassy in Beirut. The killing was seen to reflect the continuing pressure by Islamic extremists to force the French to withdraw its 1,500 troops from the United Nations peacekeeping force in the Lebanon.

Indicative of the much tougher mood in Paris against terrorism, a curt statement from the French Ministry of Defence said that "punishment will finally catch up with the murderers."

Today Mr Chirac will start to receive leaders of the main French political parties, including Mr Lionel Jospin of the Socialist party, Mr George Marchais, the Communists' Secretary General, and Mr Jean-Marie Le Pen, leader of the extreme right National Front. Earlier in the day, Mr Jospin had said that political consensus would be difficult to maintain if opposition leaders were left in the dark.

The decision by Mr Chirac to receive the parties' leaders – rather than Mr Charles Pasque, the Minister of Interior, as initially planned – also reflects a desire to achieve all-party support.

The importance of linking two members of the Lebanese Armed Revolutionary Faction to Wednesday's killings is that it would seem to confirm that the latest terrorist attacks have been the work of a small group. Officials have been increasingly suggesting that a large number of groups were involved spread across a number of countries – thus implying that the authorities would have a long uphill task in tracking them down.

Police believed yesterday that Robert Abdallah – another of the brothers of the imprisoned terrorist leader – had escaped back to Lebanon after taking part in the bombing of a Paris supermarket cafeteria last Friday. His picture has been posted on walls throughout France as a prime suspect this week.

But he surfaced in Tripoli in Lebanon on Wednesday with Maurice, a fourth brother. There are seven sons in the family of whom one is dead.

In the wake of the recent violence, Mr Chirac let it be known yesterday that France was ready to ratify the European convention against terrorism. Along with Greece, Ireland and Malta, France has been one of the only Council of Europe members not to ratify the convention, signed in 1977.

Nora Boustany reports from Beirut: The killing of Col Goutierre was claimed by a hitherto unknown group called the "Front for Vengeance and Liberty." A caller to an international news agency said: "Let Chirac know our next coming blow will be more crippling."

The fact that the assassination took place in Christian East Beirut led to speculation that it was related to the Lebanese Armed Revolutionary Faction's campaign to get George Ibrahim Abdallah freed rather than the French contingent in Unifil.

He was the second French diplomat to be murdered since Mr Louis Delamar, an Ambassador, was shot when he resisted a kidnap attempt in September 1981.

He became the 123rd French military casualty since 1982. Seven French military observers, a French policeman in charge of observer's security, 28 Unifil soldiers, and 88 members of the multinational force blown up in 1983 have been killed while on duty here.

Paris under siege, Page 4

$ skids below DM 2 after Baker warns of need for further fall

BY GEORGE GRAHAM AND PHILIP STEPHENS IN LONDON

STERLING plunged to its lowest ever level yesterday as mounting antagonism between the US and West Germany over the course of monetary and economic policy pushed the D-Mark even higher on foreign exchange markets.

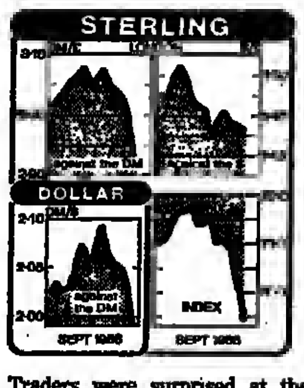
The pound's weakness drove interest rates higher in the London money markets, but appeared not to have aroused any official response in defence of the currency.

The dollar fell below DM 2.00 for the first time in more than five years after Mr James Baker, US Treasury Secretary, had reacted sharply to a rejection by West Germany of any need for it to cut its interest rates.

Dealers responded quickly to Mr Baker's remarks and sold dollars briskly, as they had the previous day when Mr Karl Otto Pöhl, president of the West German Bundesbank, denied any intention to lower German official interest rates. The dollar skidded to DM 1.99 in London, down 3¾ pfennigs.

In New York, the dollar was traded heavily in the morning falling sharply against the D-Mark but after the European markets closed volume subsided and the US currency gave up only a little more ground, closing at DM 1.9870.

As in Europe, the trigger was the comments of Mr Baker and Mr Pöhl, although the unchanged second quarter GNP figure released yesterday played a part. The market had expected a small upward revision but weak growth keeps hope alive for lower interest rates to stimulate the economy.



Traders were surprised at the speed the dollar fell through the DM 2 level and now expect it to fall further in coming days testing the DM 1.95 to DM 1.90 level to see if the Bundesbank intervenes.

Mr Baker said that unless additional measures were taken to promote higher growth abroad, the dollar would have to fall further to reduce the current US trade deficit.

He criticised statements by Japanese officials that the dollar should fall no further against the yen.

Senior European central bankers expressed dismay at the decision by Mr Baker to talk down the value of the dollar in response to the refusal of Japan and West Germany to cut their interest rates.

The central bankers said the comments risked souring next Friday's meeting of the Group of Five industrial countries in Washington. At those talks European governments will argue that the US must recognise its responsibility to help reduce current account imbalances in the world economy by cutting its budget deficit.

There is also concern that such remarks could provoke a free-fall in the dollar's value, a free-fall which would then be followed by rises in US interest rates. The central bankers pointed to the recent turbulence on the New York stock market as an indication of the fragile state of confidence in financial markets on the outlook for inflation.

There was no indication yesterday that the dollar's fall would prompt West Germany's Bundesbank to reverse its decision to hold interest rates steady.

Sterling, which dropped through the DM 3.00 barrier on Wednesday, was buffeted again yesterday by the D-Mark's climb against the dollar. Dealers at the leading London banks said they saw no sign of intervention by the Bank of England in support of the pound, which plunged 6¾ pfennigs to DM 2.93.

Most of the fall was seen as linked to the dollar's decline against the D-Mark, but sterling outstripped the US currency in the speed of its drop and ended more than ¼ per cent lower at $1.4725.

Officials were at pains to say that they were not indifferent to the pound's slide. Although earlier in the year they had expected the exchange rate to adjust downwards to lower oil prices, they noted yesterday that there had already been a considerable depreciation this year.

Money markets, Page 43

Italtel and Plessey join suitors for CGCT

By Alan Friedman in Milan, David Marsh in Paris and David Thomas in London

ITALTEL and Plessey have added their names to the companies which want to take over CGCT, France's second-largest maker of public switching telecommunications equipment.

The Italian and British groups have told Paris separately of their interest in the state-owned CGCT. They have also said that they would be ready to make a joint bid, if that were preferred by the French Government.

The move is a significant step by the state-owned Italian maker of telecommunications equipment and the British electronics group to increase their presence in the European telecommunications market. It follows a spate of major joint ventures by European and US companies which are transforming the industry in Europe.

In Paris last night, government officials held out little hope that the Italtel-Plessey bid could succeed, describing the approach as "a little late."

Neither Italtel nor Plessey was on the list of companies which Mr Alain Madelin, the French Industry Minister, chose to consult during the summer over possible purchasers for CGCT's public switching business.

Up to now, candidates for taking over CGCT's switching operations have been limited to West Germany's Siemens, Ericsson of Sweden and AT&T of the US. Northern

Continued on Page 24

Honeywell reorganises, Page 24; IBM price cuts, Page 25

Elders to pay £1.4bn for UK brewer

BY CHARLES BATCHELOR IN LONDON

AUSTRALIA'S Elders IXL yesterday set the stage for an assault on the European beer market when it agreed to pay Hanson Trust £1.4bn ($2bn) for Courage, Britain's sixth largest brewer.

The acquisition marked an abrupt change of tack for the diversified industrial, financial and pastoral group, which had been pursuing Allied Lyons, the UK's second largest brewer, for a year.

The Courage deal gives Elders – best known for its Fosters lager – its first beer production capacity outside Australia and lifts it to eighth place in the world brewing league.

The deal also gives Hanson Trust a considerable cash boost which it intends to use to make further acquisitions, probably in the US.

Elders established a new record for UK takeover offers when it launched its £1.8bn bid for Allied last October. The bid became embroiled in a nine-month review by Britain's Monopolies and Mergers Commission aimed principally at investigating the way in which it was to be financed, and it was not until earlier this month that the Commission gave it clearance. The Australian group had been expected to renew its bid for Allied, although in recent weeks rumours had grown that Elders might switch its attention to Courage.

Courage has 9 per cent of the UK beer market against Allied's 13 per cent share. Despite Elders' recent share link up with Broken Hill Proprietary, the Australian mining group, which boosted its capital backing, Allied would still have represented a considerable mouthful.

At Allied's share price of 333p yesterday morning, Elders would have had to bid at least £2.3bn to gain control.

Sir Alex Alexander, Allied deputy chairman, welcomed the Courage deal as removing a distraction which had interfered with the development of Allied's business. During the course of the bid, Allied paid £400m for control of Hiram Walker, the Canadian spirits business and took on £466m of Hiram's debts. This deal was widely seen as a move to make Allied too large for Elders to acquire although this was denied by Allied.

Lord Hanson, chairman of Hanson Trust, said that when the company first acquired Imperial Group in April this year, it had no intention of disposing of Courage. But there had been such intense interest at prices so attractive that it decided to sell the business.

Elders will finance the purchase from its own resources and with the help of a bank consortium comprising the eight foreign banks which supported its original bid for Allied and four others, some of them British. The loan will probably take the form of three-year convertible notes.

● Anheuser-Busch, largest US brewer, is to seek a London listing for its shares. The Budweiser beer group also wants listings in Frankfurt, Paris and Zurich.

Details and background, Page 3; Editorial comment, Page 22; Men and matters, Page 22; Test for German beer law, Page 24

Moscow puts onus on US

BY STEWART FLEMING IN WASHINGTON AND PATRICK COCKBURN IN MOSCOW

MR Eduard Shevardnadze, the Soviet Foreign Minister, tried yesterday to shift the responsibility for a possible breakdown in negotiations over a US-Soviet summit firmly at the door of the United States.

Arriving in Washington for a crucial two days of talks with Mr George Shultz, US Secretary of State, a cheerful and smiling Mr Shevardnadze replied, when asked if he thought a summit could be agreed: "Everything will depend on the US Administration. We are ready. The question is arranged, settled, 50 per cent."

The meeting of Mr Shultz and Mr Shevardnadze was planned in the expectation that the two officials might be able to make progress towards laying the foundations for a second summit meeting, possibly even setting a date.

But as Soviet-US tension mounted following the arrest in Moscow of Mr Nicholas Daniloff, the US journalist, prospects for such a meeting have begun to dim.

Mr Shevardnadze's arrival in New York on Wednesday was greeted with the US decision to order the expulsion of 25 diplomats from the Soviet mission to the United Nations in New York. Mr Shevardnadze, asked about the US action, said: "This is an illegal decision and since it is illegal it is a bad decision." He added: "I could of course use a stronger expression, too, but that maybe after the meeting."

In New York, a spokesman for Mr Javier Perez de Cuellar, UN Secretary General, said that the US move was incompatible with a 1947 agreement covering UN missions.

On the arrest of Mr Daniloff, which the US has said it will put at the top of the agenda for Mr Shultz and Mr Shevardnadze, the Soviet Foreign Minister said: "We will define the agenda together with him," adding that the Daniloff question will be discussed and "it can be resolved."

The Soviet Union said yesterday that it would retaliate for the expulsion of 25 of its diplomats from the UN in New York but will not spell out its counter-measures until after Mr Shevardnadze and Mr Shultz meet.

The Soviet spokesman claimed yesterday that the Soviet Union had already reduced its main mission at the UN to below the 218 level demanded by the US Government in March.

Mr Boris Pyadyshev, the Soviet Foreign Ministry spokesman, described the US expulsion of 25 Soviet diplomats announced on Wednesday as an attempt "to sabotage US-Soviet relations" and linked it to what he described as the exaggerated US response to the arrest of Mr Daniloff.

The delay in the Soviet response to the US decision to cut down on Soviet staff at the UN is apparently designed to see what emerges from the talks between Mr Shevardnadze and Mr Shultz.

Mr Pyadyshev took some of the heat out of the question of the size of the Soviet delegation at the UN, many of whom the US has claimed are engaged in espionage, by saying that it had already been reduced to the level demanded by Washington. In March the US said the number of the main Soviet delegation must be cut from 243 to 218 by October 1.

The Soviet spokesman attacked the expulsion of the 25 diplomats, saying this cut was in addition to voluntary cuts already made. The Soviet Union also has some 23 diplomats at the UN representing the Soviet republics of Ukraine and Belorussia.

Reagan bows to his right, Page 7

CONTENTS

E. Germany to halt flow of refugees to West

By Leslie Colitt in Berlin and Peter Bruce in Bonn

EAST GERMANY yesterday agreed to halt the flood of Third World asylum seekers entering West Berlin from East Berlin, which had provoked bitter resentment in West Germany.

An East German Foreign Ministry statement said that, from October 1, East Berlin would only allow refugees transit passage through East Germany to the West if they had a western visa in their passports. More than 1,000 Third World asylum-seekers a week, arrived at East Berlin's airport this year on Soviet and East German airlines. Most were taken by bus directly to trains leaving for West Berlin, a situation the Bonn Government called "intolerable." West German officials insisted most of them were "economic refugees," and not political ones.

The refugees who entered via East Berlin made up most of the nearly 60,000 who applied for asylum in West Germany in the first eight months of the year under the country's liberal refugee laws.

The East German statement confirmed claims made earlier by West Germany's opposition Social Democratic (SPD) party, that it had secured East Berlin's agreement.

Mr Johannes Rau, the SPD's candidate to challenge Chancellor Helmut Kohl in next January's general election, triggered pre-election political tempers in Bonn by announcing that Mr Egon Bahr, a senior SPD politician, acting on his behalf, had been negotiating an agreement on asylum seekers with East Berlin.

In Bonn, the Government responded quickly to Mr Rau's statement, pouring scorn upon it and claiming that credit for the East German decision lay with Mr Wolfgang Schäuble, a minister in the Chancellor's office. He held talks on the asylum issue with the East German leader, Mr Erich Honecker, on August 29, it was confirmed yesterday.

Mr Bahr, however, said in an interview that he was told of the East Germany's decision on Wednesday by Mr Hermann Axen, a senior Politburo member with whom he had talks throughout the summer on the refugee issue. The SDP official said "we resolved the problem and it is in everyone's interest."

David Marsh reports from Paris on the body which co-ordinates OECD co-operation in nuclear power

Nuclear agency reassesses its role after Chernobyl

SENIOR officials from the main industrialised countries are in Paris to try to come up with a new role for the Organisation for Economic Co-operation and Development's Nuclear Energy Agency (NEA) in the wake of the Chernobyl nuclear disaster.

The NEA's steering committee, which finishes two days of deliberations today, brings together top representatives from the agency's 23 member states (all the full OECD members apart from New Zealand.

The two-day meeting is the first of the steering committee since the Soviet disaster. It provides an initial opportunity for the agency to try to plug some serious loopholes in international nuclear co-operation glaringly exposed by the confusion and contradictions in the industrialised world's reaction to the accident in April.

The steering committee is considering proposals for Western countries to harmonise widely differing emergency radiation protection procedures, and also to improve general public information over nuclear safety.

The NEA is examining redrafts of international regulations on third-party liability of nuclear plants, shown to be grossly inadequate after Chernobyl. It also hopes to improve the present flawed system for reporting to other member countries incidents at more than 280 N-plants in the OECD area, which account for about 80 per cent of the world's nuclear energy production.

The reassessment of the NEA's role comes as member governments are voicing disappointment at the way the agency has functioned so far in the field of western collaboration in nuclear power, though there is no firm consensus over which way the NEA should go in the future.

The NEA was set up in 1958, in the heady aftermath of President Eisenhower's Atoms for Peace drive when the room for overall expansion of nuclear power was seen as almost boundless.

But it has arguably failed to adapt its role to the considerably harsher circumstances faced by the nuclear industry in the 1980s.

NEA officials admit that the Chernobyl accident brought to the surface severe shortcomings. Mr Pierre Strohl, the veteran French civil servant who has been with the NEA since its inception and is now its deputy director general, says part of the divergences in different countries' reactions to Chernobyl was due to varying political perceptions of nuclear power.

At the most extreme, this was underlined by the panic measures to protect people from radiation in West Germany, and the business-as-usual reaction in France, where the radiation protection authorities did not tell the population that a radioactive cloud had passed over the country until a fortnight after the accident.

It has arguably failed to adapt its role to the harsh circumstances faced by the nuclear industry in the 1980s

But Mr Strohl says that individual countries' health and safety authorities are also "somewhat ashamed" at the obvious lack of any common international line over safety precautions after the mishap.

On this point, "the nuclear community has failed," Mr Strohl says. "After 25 years of international cooperation, the fact is that there is not enough harmonisation in a situation of emergency." Chernobyl, he says, represented the first case when a reactor fault causes an international impact: "They (the authorities) could and should have done better."

The sense of disappointment was brought vividly into the open by an OECD ambassador at a meeting of the OECD council shortly after Chernobyl. He complained that half his dinner guests a few nights previously refused to eat the salad course, while the other half maintained that the lettuce presented no danger. "What is the purpose of having a Nuclear Energy Agency if one cannot know whether or not to eat salad?" the luckless ambassador remonstrated.

The NEA does not have the headline-catching role of its larger and older sister organisation, the International Atomic Energy Agency in Vienna. The IAEA, charged by the United Nations with the general task of promoting world-wide nuclear collaboration, as well as with the specific task of policing non-proliferation safeguards, has acted as the focal point for coordinating governments' responses to Chernobyl.

The NEA — traditionally a forum for experts from the industrialised countries to collate, compare and discuss largely technical information on matters like reactor safety and radioactive waste disposal —has always fought shy of entering the political arena.

But in the aftermath of Chernobyl, the official says, pressures for the NEA to cross the demarcation line between technicalities and politics may grow.

Mr Strohl admits, however, that the NEA view that Chernobyl has not significantly added to health risks in the West has failed to get across to the public. He also lays at least part of the blame for "irrational" responses to Chernobyl not with the public but with the nuclear community itself. "The majority of people are not nuclear physicists . . . The experts themselves (on radiation protection) are not capable of solving this problem of public information."

As well as calling on "communications experts" to help governments running nuclear programmes get their message across, Mr Strohl is also proposing that the NEA publishes a full account of the overall health and radiation consequences in western countries of the Chernobyl disaster.

Public disquiet over atomic power has already been one of the main factors—along with the economic slowdown and greater efficiency in energy saving — dampening considerably forecasts for nuclear capacity in coming years.

The NEA's latest published forecast of 365 Gigawatts of capacity in the OECD area by the year 2000 will have to be revised down further after Chernobyl. But the prediction is already less than one-fifth of the wildly optimistic projections the NEA (reflecting the convention wisdom at the time of member governments) was making in 1975.

Euro-Parliament rapped over payments to parties

BY QUENTIN PEEL IN BRUSSELS

THE EUROPEAN Parliament was yesterday sharply reprimanded by the president of the European Court, and order to freeze the spending of advance election cash paid out to leading EEC political groups.

The money totalling Ecu 3.5m (£2.4m) and earmarked for election information campaigns in Spain and Portugal, has already been paid out, apparently in defiance of a reqnest from the Court to know what was happening to it.

Now the Parliament has been given just six days to say what measures it has taken to stop it being spent.

The president of the Court issued his emergency order at the request of the extreme right-wing Group of the European Right, led by Mr Jean-Marie Le Pen of the French Netional Front.

It is the second time in less than six months that the political groups in the European Parliament, dominated by Christian Democrats, Socialists, British, Danish and Spanish Conservatives, Liberals and Communists, have been in trouble with the Court over using public funds for election spending.

The latest case has yet o be heard, but the Le Pen group claims that the money for an "information campaign" (the Court itself uses inverted commas) for direct elections for Spanish and Portuguese MEPs was unfairly distributed. The big parties in the Parliament decided the largest amounts would go to those groups with the largest number of members from the two new EEC member states—which meant themselves.

Of the Ecu 3.5m, the Socialist group has been allocated Ecu 1.66m, the European Democratic Group (dominated by British Conservatives) Ecu 533,000 and the Liberals Ecu 457,000. The Group of the European Right than six months that the poli-

Sweden cuts key interest rate to 7½%

By Kevin Done in Stockholm

THE SWEDISH Central Bank yesterday cut the discount rate to 7.5 per cent from 8 per cent, its lowest level since the summer of 1979.

The cautious reduction, the fourth this year, had been made possible by "the positive development of the current account and private capital flows," said Mr Bengst Dennis, governor of the Riksbank.

The discount cut was announced as leaders for the country's 1.5m public sector employees were meeting to consider their response today to a final wage offer from state-appointed mediators.

The public sector wage negotiations have been dragging on since the late spring. If the latest offer of increases of some 10.5 per cent over the two years 1986/87 ar rejected, there is a strong possibility of a resumption of last spring's strike action, particularly in the health service.

Stockholm compromise in sight

BY ROBERT MAUTHNER, DIPLOMATIC CORRESPONDENT, IN STOCKHOLM

THE STOCKHOLM conference on confidence-building measures aimed at reducing the risks of war in Europe by miscalculation, was last night laboriously moving towards a final compromise following signals from the US that it was prepared to modify its position on aerial inspections.

The formal deadline for the end of the conference is today, but because of the many details which still remain to be resolved, the participants would be ready to go on talking for ooe or two more days if that should prove necessary and there was real hope for a successful conclusion.

Significantly, the latest strains in US-Soviet relations resulting from the expulsion of 25 members of the Soviet United Nations mission, has not appeared to affect the desire of both the Nato and Warsaw Pact countries to reach an agreement here.

If they do, it would be the first big East-West security agreement since the Salt 2 eccord in 1979.

The US has intimated, through officials in Washington, that it will no longer insist on aircraft from neutral countries being used to observe military manoeuvres on the ground, a proposal which the Soviet Union has categorically rejected.

Though the plan for the use of neutral aircraft was e joint Nato position, the US's allies have made it clear to Washington that they do not want the conference to fail over this issue.

The West European countries consider that the Soviet Union made a significant concession last August when it accepted, for the first time, that Warsaw Pact military activities as far east as the Urals could be inspected from the air by Nato observers. That concession is too important to be squandered, they feel.

The latest Neto concession has been wrapped up in a complicated formula which stipulates that the nationality of the inspecting aircraft should be the subject of agreement between Nato and the Warsaw Pact. That clearly would give the Soviet Union a veto over any proposal to use a Western or neutral observer aircraft to fly over its territory.

Plainly, the Nato countries will want to obtain a quid pro quo for their concession on aerial inspection on the contentious issue of the numerical threshold et which military activities must be notified to the other side.

As the conference entered its final stages the two sides were still some way epart, with Nato demanding that all military activities involving more than 9,000 troops should be notified to the other side, while the Warsaw Pact countries want the threshold to be set at 16,000, if not higher.

However, on this subject too, the prospects for a compromise appear to be reasonably good, thanks to a Polish proposal under which a lower threshold would be set for the notification of manoeuvres — say et 11,000 troops — and a higher threshold for those which the other side demand to observe.

Craxi hopes for budget run into trouble

THE ITALIAN Government's hopes of a relatively trouble-free ride for its budget proposals have suffered a severe setback in the Parliament.

In a secret vote on the Government's general budget strategy, enough so-called "snipers" from the calition parties voted against the proposal to limit it to the narrowest of victories.

At the same time, a potential new threat to the Government's slender cohesion emerged yesterday in the shape of the emerging deal which will see the Ford Motor Company taking an eventual 51 per cent stake in Alfa Romeo.

The six vote majority for the budget statement is a serious threat to the Government because it was under just such a cloack of anonymity that parliamentarians defeated a government proposal in July and sparked the resignation of Prime Minister Bettino Craxi and his Government.

Meanwhile, the coalition politicking over the prospect Ford-Alfa deal has been triggered by Fiat's intervention on Wednesday when it said that it would soon present its own "proposals" for Alfa. This was followed by a meeting between Mr Craxi and Mr Gianni Agnelli, the Fiat chairman.

Earlier, Mr Valerio Zanone, the Industry Minister and a Turin MP, "invited" fresh proposals from "domestic" car companies as news of the imminent Ford-Alfa deal was breaking.

Austria budget deficit higher than expected

AUSTRIA'S budget deficit is expected to exceed previous forecasts and reach more than 5 per cent of gross domestic product (GDP) this year and next, Mr Ferdinand Lacina, the Finance Minister, said yesterday, Patrick Blum writes from Vienne.

The net deficit for this year is expected to be at least Sch 72bn (£3.4bn), compared with Sch 65.6bn, representing 4.5 per cent of GDP originally forecast when the budget was drawn up last autumn.

OVERSEAS NEWS

Israel approves Arab-owned bank in Nablus

BY ANDREW WHITLEY IN JERUSALEM

AN ARAB-owned bank is to open in the Israeli-occupied West Bank region in the coming weeks. It will provide a full range of financial services to the local Palestinian population for the first time since the 1967 Middlo East War.

Mr Shmuel Goren, the senior Israeli official responsibla for the occupied territories, announced on Wednesday that the Civil Administration had licensed the opening in Nablus of a branch of the Jerdan-based Cairo-Amman Bank, headed by Mr Jaudat Sha'sha, a Palestinian businessman.

Tho bank will operate in both Jordanian dinars—still widely used in the West Bank—and Israeli shekels, and will be subject to dnal regulatory authority from tho Jordanian and Israeli central bank authorities.

But Mr Goren made clear that, for security reasons, ultimate control will lie in tha hands of the Israeli military-run Civil Administration, which will keep n close check to make sure that funds are not channelled to "hostile organisations."

Agreement on setting up tho bank removes a long-standing ebstacle te economic development in the occupied territories, where businessmen have long complained abeut lack of access to working capital.

Gon Ephraim Sneh, head of the West Bank Civil Administration, estimates that uninvested Palestinian savings which could be attracted by the bank total $250m (£169m).

In 1967, following its capture of the territory, Israel closed tha 30 hank brenches operated by six banks — two of them British — in the West Bank.

Israeli banks were permitted to open in the region, mainly to service new Jowish settlements. But few Palestinians make use of these banks, preferring to travel to Jordan for funds or else make use of an informal, but extensive, money changers' network.

Over the past yoar or so, Israel has changed its policy, under pressure from abroad, to improve tho economic climate in the depressed regien, and attempted to obtain Jordan's approval for the re-opening of ono of the old banks.

Agreement was finally reached with Amman a short timo ago. After 19 years the old management of tho Nablus branch of the Cairo-Amman Bank — a small institution in which the Egyptian Government has a 12 per cent stake — are dusting off their books and making final preparations for a grand re-opening.

Ivory Coast link is boost for diplomacy in Africa

BY PETER BLACKBURN IN ABIDJAN

THE RE-OPENING by Ivory Coast this week of an embassy in Jerusalem is being seen in eastern Africa as a further success for Israeli diplomacy and has raised expectations that tha example could be followed by other moderate black African countries.

President Houphouet Boigny, who has ruled Ivory Coast since independence from France in 1960, wields considerablo influence, especially in Africa's French-speaking countries. So far three other states—Zaire, Liberia and Cameroon—hava restered ties with Israel which were broken off after the 1973 Middle East war.

Two Israeli diplomats have arrived in Poland to manage their visa office for the first time since Warsaw broke off diplomatic relations in 1967, diplomats said, Reuter reports. Their arrival follews an agreement on renewing limited diplomatic ties reached between Israel and Poland a year ago.

Ivory Coast resumed links last December and Cameroon in August. Togo and the Central African Republic could be next, according to ebservers in Abidjan.

Ivorian officials said that tho decision to reopen the embassy in Jerusalem rather than Tel Aviv where most foreign embassies are located was not e "provocative" act towards the Arabs.

Ivory Coast was merely reoccupying the building where its embassy had been before 1973, they added.

Ivory Coast was the last black African country to cut ties with Israel in 1973, but continued te maintain close commercial links.

A joint venture in which Solel-Boneh of Israel is a partner built the new Roman Catholic cathedral in Abidjan.

Unlike other African countries, Ivory Coast receives virtually no Arab aid. When Arab funds were proposed for a major hydroelectric power schema, the offer was rejected

FINANCIAL TIMES

Published by The Financial Times (Europe) Ltd., Frankfurt Branch, represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter-Societäts-Druckerei-GmbH, Frankfurt/Main. Responsible editor: C.E.P. Smith, Frankfurt/Main, Guiollettstrasse 54, 6000 Frankfurt am Main 1.

FINANCIAL TIMES, USPS No. 190640, published daily except Sundays and holidays. U.S. subscription rates $365.00 per annum. Second class postage paid at New York, N.Y. and at additional mailing offices. POSTMASTER: send address changes to FINANCIAL TIMES, 14 East 60th Street, New York, N.Y. 10022.

Mr Ali Negm

Egypt sets hopes on talks with IMF

By Tony Walker in Cairo

MR ALI NEGM, Governor of Egypt's Central Bank, expects serious negotiations will begin next month with the International Monatary Fund on credit facilities te help overcome his country's balance of payments difficulties.

Mr Negm said in an interview that an arrangement with the IMF would be only one of several steps needed to reach an accommodation with Egypt's creditors.

An IMF team would return to Egypt in October for detailed discussions on balance of payments support, he stated. Egypt has been seeking some $1bn (£675m) from the IMF.

The IMF, in its latest study on tho Egyptian economy, reported that Egypt's foreign debt had reached $38.5bn. Tho Fund also noted a worrying build-up of arrears en Egypt's dobt service payments.

Mr Negm said discussions earlier this month with an IMF delegation, led by the Fund's regional Director, Dr Shakhur Shaalam, had proved satisfactory.

The IMF, he added, had expressed approval of recent economic reforms, including steps taken to reduce imports and restrain the domestic budget deficit.

Other points made by Mr Nagm included:

- An inter-bank exchange market is planned in Cairo to streamline currency dealings and improve access to hard currency;
- Egypt's foreign exchange reserves at present total about $1.2bn;
- Efforts are being made to reduce arrears;
- Additional income from new customs regulations is expected te reach E£750m (£375m) a year;

Mr Negm will be a member of Egypt's delegation at meetings of the IMF and World Bank to be held in Washington late this month and early next month.

Kuwait central bank governor resigns

The Governor of the Central Bank of Kuwait, Mr Abdel-Wahab Al-Tamar, has tendered his resignation, AP reports. Minister of State for Cabinet Affairs Rashed Abdel-Aziz Al Rashed, announced the move on Wednesday but did not provide any reason. No successor was named immediately.

PROSPECTS GROW FOR EARLY GENERAL ELECTIONS

Botha's party defeats far right

BY ANTHONY ROBINSON IN JOHANNESBURG

EXPECTATIONS of oarly South African general elections rose sharply yesterday following the ruling National Party's convincing by-election victory in the Klip River constituency in Northern Natal.

In a straight fight with the extreme right-wing Herstigte Nasionale Party (HNP), the Netional Party candidate, Mr Jacko Maree, won a majority of 3,033 on a 58 per cent poll turnout.

A jubilant President P. W. Botha congratulated the victor and said the election was "a sign that South Africa is uniting."

Tonight, President Botha is due to address the opening session of the National Party's Transvaal provincial congress in Pretoria where he is expected to allude once again to the possibility of early general elections.

Political analysts here believe however, that the most likely venue for an election announcement will be the Cape provincial congress in East London which starts on September 30.

SOUTH AFRICA'S black National of Mineworkers (NUM) is due to resume negotiations on a revised pay offer with the Chamber of Mines representing the major mining houses today at which the union is also expected to make a strong bid to gain entry for its own safety stewards on mines. Anthony Robinson writes from Johannesburg that a full-scale judicial inquiry into this week's disaster at the Kinross gold mine has been announced by Mr Danie Steyn, the Minister for Minerals and Energy Affairs, and mine safety has now become a top priority for beth unions and the chamber. The official death toll at Kinross remained at 177 yesterday but Gencor, the owner, announced that enly one person was still missing.

The Klip River result appears to be vindictalon of the party's decision to put its confusing reform strategy on a back-burner and cut the electoral ground from tho right-wing parties by moving back to a more conservative stance.

The HNP fonght the election on a platform of adherance to the hard line apartheid policies of the Verwoerd ora, and received strong support from the Conservative Perty and the para-military Afrikaner Weerstandsbeweging (AWB).

But the combined ferces of the right, altheugh managing to denble the HNP vote compared to the 1981 general elections, trailed hadly behind the NP with 2,820 votes to 5,863.

The emotiooal campaign waged by the right with its beavy racial undertones appears to heve led many Progressive Federal Party (PFP) voters to support Mr Maree who, in NP terms, is a *verligte* or liberal nationalist.

Elections nermally take place every five years but the Government used introduction of the new tri-cameral parliameot in September 1984 te prolong the electoral period for a further five years up to 1989, thus by-passing 1986 as an eleetoral year.

But this has been used by the white right-wing epposition te accuse the Government of ruling without a mandate.

This charge has stung President Botha whe now helieves that an early olection will not only return the NP to power with a large mejerity, but alse give a mandate for cautiens referm

UK offers India extradition treaty

BY JOHN ELLIOTT IN NEW DELHI

BRITAIN yesterday mada a significant attempt to improve its seriously deteriorating relations with India when it offered to negotiate a bilateral extradition treaty next month.

The treaty would be based on terms it has only agreed in tho past with European countries, and exceeding those offered recently to tho US.

Tho aim would be to ensble India to extradite extremist Sikhs living in the UK so that they could stand trial in India. In tha Indian Government'a view, this would reduce overseas support provided for Sikh extremists in tho troubled northern stato of tha Punjab.

But the Indian Government only gave the initiative a reserved initial welcome last night after a draft of the proposed treaty had been deliverod to the Ministry of Extornal Affairs in New Delhi.

Senior Indian diplomats recognise that e treaty could holp, and a ministry spokesman said last night that India looked forward to negotiations early next month in London.

But diplomats arguo that Britain should immediately de more to curb the activities of extremists in the UK, especially by eithor jailing or deporting 30 to 40 whe have only lived in the UK for a short time.

Indo-British relatiens, which historically havo been strong, havo doferierated in tha past conple of years, mainly beceuse the Ministry of External Affairs believes nnt enough is boing done in London on the Sikh problem.

The situation has been wersened in recent weeks because of the British stand over sanctiona against South Africa and the proposed imposition of British visa restrictions on visitors from India and other countries.

Sir Geoffrey Howe, Foreign Secretary, argued strongly against the need for a bilateral extraditien treaty when he visited New Delhi five months ago. But be has been persuaded that tho issue matters se much to India that it should be conceded.

If he had net dono so, it is possible that India might have boycotted the talks on the subject planned for oext month.

The draft treaty delivered yesterday would take India eut of a multilateral UK Cemmonwealth arrangement and would include ideas either offored earlier by the UK er requested by India.

It would make any alleged offonce committed in India extraditablo from the UK (and *vice versa*), provided tho penalty was at least 12-months imprisonment in either country.

People affected would not be able to escape extradition by ploading they were pursuing a political rathor than a criminal motive. But thoy would still be ablo to plead that thoy would not faco a fair trial once extradited. This loopbole is likely to be rejected by India.

Japan in Y3,600bn bid to boost growth

By Ian Rodger in Tokyo

THE Japanese Governmeot will announce a Y3,600bn (£11.5bn) spendiog package today aimed at reversing tho deflationary effect of the yen's appreciatioo and boostiog domestic demand.

Mr Yasubiro Nakasone, tbe Prime Minister, said in the Diet (Parliament) yesterday that the Government would do evorything possiblo to realise its goal of achieving 4 per ceot economie growth in this fiscal year. But there is widespread scepticism amoog economists that a package of this size will be eneugh.

The economy grew at an annual rate of 3.6 per cent in tho April-June quartor and the Gevernment's own econemic planning agency has said the economy has stagnated.

Most of tbe spending package, abont Y3,000bn, has been earmarked for publie works projects. Tbo Government'a own projects will take about half that amount, witb most of the remainder going te iecal governmont programmes.

Somo Y116bn will be allocated to subsidise mixed government-privato sector projects. Last year'a supplementary budget ameunted to Y3,100bn.

Loadings at Kharg Island 'continue'

Crude oil loadings at Iran's Kharg Island export tarminal aro continuing despito Iraqi air strikes, Japanese trading house officials said, Renter reports.

The terminel'a T jetty was hit hard, they said, but one berth is still operating which can accemmodate an ultra-large carrier and thorefere Iran can atill export around 1m-1.2m barrels a day.

Before the rocent attacks, three berths at Kharg Island wore operating.

First ray of light after the terror

David Housego reports on the political effects of the bombing

THE CLAIMS by French police yesterday to know the identity of the terrorists who planted Wednesday's bomb in the central Montparnasse district of Paris brings the first ray of light to the capital after two weeks of coninuing violence.

Nine people have been killed and more than 200 injured so far this year. Nerves have been increasingly strained by walling police sirene and growing security checks outside public buildings.

While uncertainty remained about the authors of the attacks and their motives, the Government had found itself in a humiliating position of powerlessness.

If the crisis has passed, Mr Chirac can take some consolation thet by handling it personally he has reinforced his political authority and eclipsed President Francois Mitterrand. But the tightrope has been difficult to walk. The risk remains thet the country's unity and institutions would be sorely tried by a long battle with the terrorists.

The immediate reaction to the violence has been revulsion and a growing mood of determination that the terrorists should not get their way by such means. Politicians have by and large refrained from exploiting the situation, and Mr Michel Rocard, one of the leading Opposition Socialists, went so far yesterday morning as to say that in such circumstances he placed his trust in Mr Chirac's Government.

But it was also clear that the longer the violence continued, the more difficult it would be to silence disquiet. Mr Lionel Jospin, the First Secretary of the Socialist Party, said yesterday that maintaining a consensus would at least depend on keeping the Opposition informed about police inquiries and the Government's interpretation. He said that up to then the Opposition had had to depend on the Press for its information—a gap the Government promised yesterday to fill.

Mr Jospin's fears, like those of many on the left, are that the anti-terrorist drive will strengthen the authoritarian tendencies of the French right wing and push the Government into actions that violate common law.

He has already voiced his opposition to asking the military to do police work, a move which stirs unpleasant memories in France.

Mr Chirac might have faced a couple of hard decisions in practice. The first is whether or not to try to eliminate suspected terrorists before they reach a court of law, as some in the secret services are believed to have been urging. The second is whether or not to take reprisals outside French terroritory against any state suspected of supporting the terrorists.

Mr Chirac's replies on radio last week that terrorists would be followed where ever they were and his confident assertion that those arrested "will talk" implied that he took a relaxed view of crossing the moral frontiers.

The posing of these issues reveal the potential strains thet could arise between Mr Chirac and President Mitterrand, who has been careful so far to avoid defining his position. So far, the pressure of public opinion has been strong on both men to stand together representing national unity against the terrorists.

But the position is more comfortable for Mr Chirac than for Mr Mitterrand, who has been presented as almost acquiscing in the Prime Minister's decisions: For Mr Mitterrand, this is an intolerable invasion of his responsibilities in foreign affairs and defence.

Before the recent resurgence of terrorism there were strong reports that Mr Mitterrand planned to develop a distance from the Prime Minister by making clear his reservations over the Government's policies. The plan was certainly shelved once the violence began, but Mr Mitterrand still has a problem of differentiating from the Government in a way that could prepare the Socialist case for the next election.

Questions of conscience on the left over how the Government would handle a continuing terrorist crisis are matched by pressure from the right on Mr Chirac to be tougher. Yesterday's edition of *Le Figaro* carried almost a page of letters from readers, including one from Nice that proposed cutting off a finger of the jailed terrorists, whose release is being sought, every time a French person is killed in the violence.

The extreme right wing National Front party captured over 10 per cent of the vote in the March election, but this probably underestimates the strength of their following on issues like terrorism and immigration.

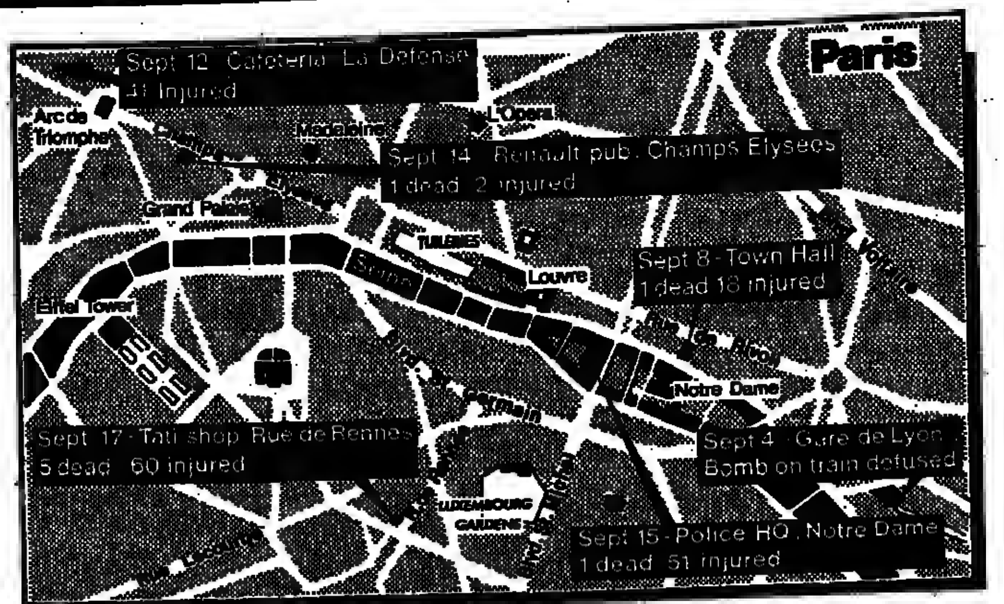
The resurgence of terrorism has been particularly difficult to cope with for France's Arab immigrants, who fear that public anger at terrorism will be directed against them as well.

Lawyers this week have been battling with police over the arrest and possible expulsion of immigrants against whom there is dubious proof, and SOS Racisme, the movement against racial discrimination, warned this week of the dangers of confusing the Moslem community in France with "bloodstained extremists." Nobody doubts however that life for the more than 2m North Africans in France is going to be more difficult.

France has not faced an equivalent terrorist challenge since the Algerian war. Even then the conflict was different because it was bound up with independence issues and civil war. French hopes that this one will be short lived stem from the belief that the terrorists are Middle Easterners who have no roots in the country, and so are easier to detect.

Should the terrorists be tracked down earlier than had seemed possible even yesterday morning, there will certainly be a review of France's policy of making concessions to them.

Both former President Valery Giscard d'Estaing and Mr Miterrand have in the past let terrorists go free in the hope—now seen as mistaken—of buying peace for France.



France questions links with Middle East

BY PAUL BETTS IN PARIS

THE LEBANESE embassy in Paris flew its flag at half mast yesterday to show its distress and solidarity with the French Government after the killing in Beirut of the French military attache Colonel Christian Gontierre.

The assassination of the diplomat has coincided with the latest series of terrorist bombs in Paris and a series of attacks in southern Lebanon against the French contingent in the United Netions peace-keeping force.

The Lebanese anthorities sought to reassure the French Government and French public opinion yesterday with a statement saying there were no conflicts between France and the Lebanese of all political and religious factions.

The statement added that the Lebanese people recognised the important role France was playing in preserving the country's identity. It also claimed that if the terrorists behind the latest bomhings were Lebanese, they would undoubtedly be members of international terrorism movements manipulated for reasons which were foreign to the Lebanon.

The statement eloquently reflected the close ties between France and Lebanon and the strong Francophone cultural tradition in parts of the Middle East. Recent events have now, however, raised serious questions about the future of France's relationship with Middle East countries, which has often been highly ambiguous.

In a front page editorial, Le Monde yesterday posed the pertinent question of who wanted to destroy France's influence in the Arab world.

The country's often contradictory policies in the Middla East could well be part of the answer. In the past few years France has maintained an ambiguous dialogue with Col Muamer Gedaffy, at the same time as being in open conflict with Libya over Chad.

While continuing to be the principal Western arms supplier of Iraq, the French Government has also been seeking to improve relations with non-Arab Iran in an effort to help secure the release of the French hostages held in Lebanon by Islamic fundamentalists.

If France earlier openly blamed Syria for being behind the assassination of Mr Louis Delamarre, the French ambassador in Beirut, President François Mitterrand nonetheless paid an official visit to Damascus.

At the same time, France has continued to maintain the largest contingent in the UN peacekeeping force. After the pull-out of the Americans from Lebanon, France has felt committed to stay on despite attacks against its soldiers which have resumed again in the past few weeks.

Mr Chirac, who has inevitably come under renewed pressure to consider pulling out the French troops, has so far insisted that they will stay.

The question of whether or not the attacks against French citizens and soldiers in Lebanon and the terrorists wave in Paris are related is clearly one of the key issues the French Government is now attempting to unravel.

The latest police reports suggesting that the brothers of George Ibrahim Abdallah, the leader of the Lebanese Armed Revolutionary Factions, were behind the bomb attack against the Paris store on Wednesday would imply that the events were not entirely related. Abdallah's supporters are apparently campaigning only for his release from prison in France.

Col Gontierre . . . shot

However, until yesterday's police allegations about the involvement of Abdallah's brothers in the Paris bomb wave, the prevailing view was that the terrorist violence was part of a broader scheme to destabilise the French government and its policies and role in the Middle East.

It is certainly ironic that France, which has always tried to maintain strong diplomatic, cultural and commercial links with Arab countries, should now find itself in the front-line of Middle Eastern-inspired terrorist violence.

Lebanese leaves

FRANCE yesterday expelled a second Lebanese man following the wave of bomb attacks that hava hit Pirs, *Reuter reports from Lyon*. Court officials said Adel Bouassi, 32, was seized by police on Saturday for "active support of violent groups." He was returned to Lebanon yesterday. On Tuesday, another Lebanese, 20-yead-old student Walid Charara, was also expelled.

Attacks by secret force could lead to Unifil pull-out

BY NORA BOUSTANY IN BEIRUT

THE PUZZLING attacks against the French contingent of the United Nations interim force in Lebanon have necessitated a re-deployment which it is feared could lead to a thinning-out and eventual pull-out of the 5,800-man force. This was the case with the multinational force two years ago.

The crisis between the French contingent and Shi'ite guerrillas started in August when an irate French soldier shot and fatally wounded three armed men from the Amal movement, among them a senior and popular commander, Haidar Khalil.

The retaliatory action against French peacekeepers has led to the death of four since August and the injury of scores of others.

It has also led to an intense Shi'ite controversy over the application of United Nations Security Council Resolution 425 calling for the extension of the Unifil mandate.

At the moment this is confined to a limited sector overlapping with a security zone delineated by Israel, down to the Israeli border.

The moderate wing of the Amal movement, led by Mr Nabih Berri, who is also Minister of Justice, has come out strongly in favour of the resolution and had organised a rally on Wednesday to demonstrate support among the southerners for a continued Unifil presence.

Interviews over the past few days with locals who came from far-flung villages all over the south indicated there was strong sympathy for the Unifil force, especially the French.

But it is the actions of hardliners, or elements in the pay of the mysterious force desirous of scaring the peacekeepers out, that will eventually shape the fate of the eight-year-old mission.

Duad Duad, Amal's commander for South Lebanon, has claimed that two elements of the radical fundamentalist Hizbollah movement were arrested in connection with the hit-and-run attacks this week and that one of them had been in contact with "Abu Jihad," or Khalil Al-Wazir, the leading aide of Mr Yassir Arafat, chairman of the Palestine Liberation Organisation.

Many young Amal supporters in Tyre have pointed an accusing finger to Mr Arafat, whose role in South Lebanon was terminated in 1982 with the Israeli invasion.

A Shi'ite Moslem cleric in the port city of Tyre, said to be one of two Hizbollah leaders in the region, though he denies the title, explained Hizbollah's reservations on Unifil activity.

Sheikh Ali Yassin, 35, who boasted that youngsters seeking martyrdom often come to him for guidance and a "fatwa," a religious dispensation for their act of self-sacrifice, said the presence of Unifil was not a problem as long as its soldiers did not obstruct the activities of resistance fighters trying to infiltrate into Israel to carry out operations.

Unifil peacekeepers have been rebuked by Islamic resistance fighters for trying to disarm guerrillas on their way to Israel through South Lebanon's hills and valleys.

Irish soldiers have been threatened after dismantling roadside mines which the freedom fighters insist are intended for the Israelis and their local allies, the South Lebanon Army.

Unifil commander Gustav Haegglund, from Finland, said his men were obliged to dismantle such mines since they jeopardised their own safety and had caused a number of casualties among Unifil members.

Haegglund, under fire from Prime Minister Jacques Chirac of France for vacationing during Unifil's crisis here, flew back to Lebanon this week. He said he was heartened by the local show of support in Tyre on Wednesday, but cautioned that his troops could not take any more attacks.

"If we have to concentrato on the security of our force, we cannot accomplish our mission, and if so, why should we remain?" he said. If attacks persisted, he warned, "I will bo the first one to recommend a withdrawal."

Parisians grit teeth and defy bombers

By Paul Betts in Paris

THE TATI clothing store in Montparnasse on the Parisian left bank was open for business as usual yesterday. But the scars of Wednesday evening's terrorist bombing were still only too visible, despite the efforts of the fire brigade to clean up the debris, the blood and the odd pieces of clothing and shoes which had been scattered all over the payment on the Rue de Rennes.

Although workmen were still repairing the front windows of the popular shop, a few customers and visitors curious to see the damage went into the store. Two security men at the front door checked bags as television camera crews stood by them interviewing and photographing the first customers to return to the shop.

The blast was the worst in the latest unprecedented spate of terrorist bombings in the French capital.

The shop is usually patronised by a clientele of working and middle class Parisians, as well as North African immigrants. The salesgirls and the cashiers, sitting high at their desks, dominated the piles of cheap ladies' stockings, T-shirts and lingerie yesterday. Signs saying "Do not touch the merchandise" far outnumbered customers.

"When I heard the bomb I ducked under my cash till," said one cashier. "My two colleagues besides me did the same and we were not injured."

The bomb went off at one of the most crowded periods of the week at Tati. In France, Wednesday has traditionally been a school holiday instead of Saturday and mothers regularly go shopping with their children on that day. Last Wednesday was no exception: among the five people killed by the blast were three women, and children were among the more than 50 injured.

An assistant manager of the store was clearly worried when he saw a stranger questioning his staff. "We really have nothing to say. The police are answering all the questions," he said looking anxiously towards the door.

But he loosened up a little. "Yes, there are far fewer customers than yesterday but can you blame them? They are murderers, the people who did this. But we also have to do our job and return to work."

Outside in the sunshine, a small crowd had gathered to gaze at the clothing shop which in a macabre way has become another tourist sight of the capital. Other small stores nearby were also replacing the glass on their front windows broken by the unusually powerful and deadly blast.

In the streets some people are again talking about bringing back the death penalty. The bomb at Tati, more than any of the other Paris terrorist attacks of the past fortnight, has had a huge impact.

Most large department stores were reporting a major fall in customers yesterday and the number of people travelling on the metro has visibly dropped. The sound of police sirens and fire engines have started to fill the air with monotonous regularity.

But like Tati, whose doors opened again first thing yesterday morning, Paris seems resolved to continue living as it always has, although the mood and atmosphere has perceptibly changed in the past few days.

Gelignite may be Swedish

By Sara Webb in Stockholm

THE ARMS CACHE uncovered by French police on Wednesday and possibly connected with the recent spate of terrorist bombings in Paris is thought to contain explosives manufactured in Sweden.

Nobel Chemicals, part of the Swedish chemicals and armaments group Nobel Industries, understands that the 40kg of explosives uncovered were in packages marked with the Swedish words "125 gram sprangdeg" (gelignite) which is how their explosives are labelled.

The company sells about 98 per cent of such explosives to FMV, the Swedish defence equipment manufacturer, which in turn supplies the Swedish armed forces. The rest goes to civilian buyers for research. Explosives intended for export are not marked in Swedish.

Defence staff say it is unlikely that the explosives were stolen from Swedish troops working for the United Nations in Cyprus and Lebanon. Fourteen kg of explosives were stolen from Swedish military depots last year, whila in 1984, 56 kg went missing from a depot in Norrland, and another 28 kg from tha Norrkoeping area.

Italy withdraws extradition plan

MR BETTINO CRAXI the Italian Prime Minister indicated yesterday that Italy would not push the extradition of a Lebanese man whose imprisonment in France has led to a wave of bomb ettacks in Paris, AP reports from Rome.

Italian officials this week said magistrates had applied for the extradition of Mr George Ibrahim Abdallah, the reputed leader of the Lebanese Armed Revolutionary Faction, to question him about the 1984 assassination in Rome of Mr Leamon Hunt, the American bead of the Sinai peacekeeping force.

Mr Craxi said yesterday in a statement that extradition requests for people linked to the bombings could seem, at this time, as a "solicitation for an act of cowardice that France would never commit."

South Lebanon turmoil grows

BY ANDREW WHITLEY IN JERUSALEM

SOUTHERN Lebanon was in renewed turmoil yesterday, as the region threatened to plunge into its worst chaos since the official end of the Israeli military occupation 15 months ago.

Violence has been building up on all sides for weeks, worrying senior Israeli officials and military commentators.

The tempo of Katyusha rocket attacks on Israel and its self-declared "Security Zone" north of the border is rising rapidly.

Clashes involving the Israeli-backed South Lebanon Army are sharpening by the day. Most disturbingly, the United Nations peacekeeping forces deployed in southern Lebanon since 1978 have, for the first time, started to come under regular attack.

As Israel threatens to return to its former "iron fist" policy of retaliation if the violence persists, French soldiers serving with Unifil, the United Nations force, were yesterday withdrawing to safer, more defensible positions.

Four French soldiers have been killed this month in clashes with Amal, the traditionally moderate Shiite militia, now coming under mounting pressure to take a tougher stand against Israel and its allies.

Yesterday, two-thirds of the operational battalion deployed by France east of the port city of Tyre was being moved to new positions well away from the Shiito villages at the centre of recent troubles.

In future, the French will be responsible for a restricted area around Unifil's headquarters of Naqura, near the Israeli border, and around the town of Jwayya, where they already have a large base. Taking over their former positions are units from Fiji, Ghana and Finland.

Lebanese police reported yesterday that waves of Israeli aircraft had bombed the Mieh Mieh Palestinian refugee camp near Sidon for the third time in recent weeks. This was categorically denied by an Israeli military spokesman.

Confusion may have arisen from the fact that Unifil said the Israelis had brought up heavy, long-range artillery from across the border to near the town of Marjeyyoun, headquarters of the South Lebanon Army (SLA) and had been shelling unidentified targets to the west.

Israel's action in southern Lebanon appeared to be in swift reprisal for an unusually large-scale clash early on Thursday between radical Shiites and the SLA, which left dozens dead or wounded.

With the Israeli Defence Forces keeping silent, reports from the region are sketchy. But Lebanese radio reports monitored in Jerusalem say 30 radical Shiite fighters were wounded. The mainly Christian SLA admits it lost eight militiamen. It is becoming apparent that the fragile stability of the past year, based on a coalition of interests, is rapidly breaking down.

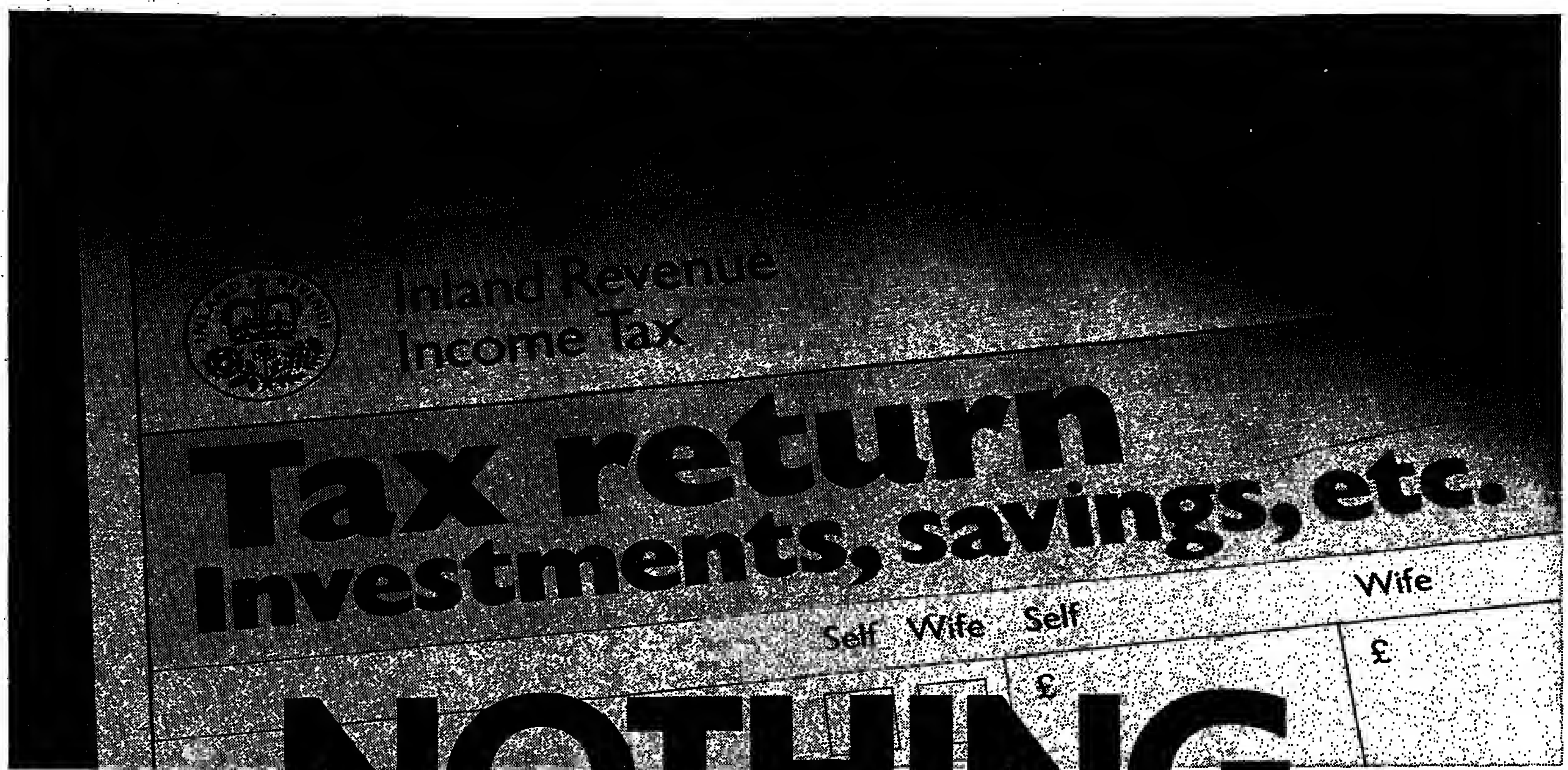
According to Mr Ze'ev Schiff, tha highly respected Israeli military commentator, Amal, which has in effect provided an additional security layer for Israel against hostile ettacks, is losing ground to Hizbollah, the Iranian-backed radical group and other radical forces.

Hizbollah, together with various splinter Palestinian groups and dissident Amal militiamen, is believed to be behind the recent Katuysha rocket ettacks. In August, 15 rocket attacks on Israel were recorded, along with another 27 on the security zone, though damage and casualties were slight.

Mr Uri Lubrani, senior Israeli official responsible for southern Lebanon, admitted this week that contingency plans had been prepared for implementation if Unifil is forced to pull out. "Solutions can be found to the problems that will ensue," he said.

While warning thet Israel would be forced to use a "mailed fist" if the attacks continued, he said the recent violence did not necessitate a widening of the security zone.

UN forces are prevented from entering the 10-mile-wide security zone, and any push northwards by Israel or the SLA would inevitably bring greater conflict.



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Ministers running out of time for agreement on world trade talks

BY WILLIAM DULLFORCE AND IVO DAWNAY IN PUNTA DEL ESTE

CONCERN mounted at trade talks in Uruguay yesterday that time was running short for a comprehensive agreement on the wording of the ministerial declaration defining the terms for a new trade round.

With less than 48 hours left before the scheduled end of the General Agreement on Tariffs and Trade (Gatt) conference, disputes remain on all the controversial clauses in the draft document.

After three days of discussions, face-to-face negotiations have only just begun on the key farm trade provisions between the European Economic Community and the "free traders" exporters group, led by Australia.

Moreover, Brazil and India, leading e 10-strong Third World group, are continuing to resist pressure from the US to accept a new trade in services negotiation as an integral part of the new round.

Mr Enrique Iglesias, the Uruguayan Foreign Minister chairing the meeting, has been attempting to narrow down the areas under dispute. But it is clear that difficulties are continuing over the wording of several clauses, such as those on standstill and rollback, (a freeze on new trade barriers and the dismantling of existing ones) previously viewed as near agreement.

Despite the slow progress, however, Gatt officials insisted that there still remained sufficient flexibility among the protagonists for a comprehensive deal, although this might involve extending negotiations into the weekend.

The main areas still to be resolved are:

Agricultural Trade: The EEC has now identified the key areas in the text where it requires changes. It is edamant that a specific reference to "the phased reduction within an agreed time-frame" of subsidies be removed.

The Community is also seeking to ensure that negotiations on farm trade are held separately from those on other topics to avoid trade-offs across sectors and it is opposing any deadline for concluding agreement. So far, the "free-traders" group is resisting all these moves.

Services: Despite intensive behind-the-scenes efforts to bridge the gap between the US and Brazil and India, positions remain entirely unchanged.

Many developing countries continue to see a trede-off in concessions between services and goods during the coming round as unacceptable. Mr Clayton Yeutter, the US Trade Representative, reaffirmed yesterday that the US would not expect to give trade benefits for liberalised access for its services industries' exports.

Yesterday, Mr Iglesias called on the Colombian delegation to tablo formally a compromise proposal allowing for trade in services to be negotiated separately from the new round. Although unattractive to the US, this plan at least meets Washington's principal requirement that the sector will be discussed under the Gatt umbrella.

Investment: India and other developing countries have insisted that the time is not right to allow freer access for foreign investment in their economies. But the US continues to stress the importance of having investment included in the new round.

"Investment has as high a priority for US as services and, for some of our businessmen, even higher," Mr Yeutter said yesterday.

Balanced benefits: the EEC is continuing to fight for the inclusion in the declaration of a paragraph requiring that concessions made in Gatt negotiations should produce equal benefits for both partners.

This has been labelled "the Jspan clause," because it implicitly singles out Tokyo as the principal offender for maintaining covert barriers to imports.

But yesterday, Mr Willy de Clerq, the EEC negotiator, said: "Wo want to phrase it in a non-provocative way, simply restating a Gett principle."

The Japanese, however, are expected to remain highly resistant to the text now submitted to them by the EEC.

Debt links: Many of the heavily indebted Third World countries are backing e move for the inclusion of a clause on the links between trade and finance. This would call on other institutions to take trado factors into account during negotiations on debt financing.

Guangdong helps to unite foreigners and their profits

BY DAVID DODWELL IN HONG KONG

OFFICIALS in China's southern Gaungdong province, home of more foreign joint ventures than any other Chinese province, have begun to enact new policies aimed at improving the joint ventures' viability, in particular their ability to cover foreign exchange costs.

Commitment to new policies aimed at boosting foreign investment in China was first voiced in February, as officials grew increasingly concerned about reports of joint ventures getting into difficulties. Only a week ago Deng Xiaoping, China's paramount leader, told a group of visiting Japanese investors: "We cannot ask foreigners to come, and then not let them make money."

In July, the Government revealed that foreign investment in the first half of 1986 amounted to $1.24bn—30 per cent below the level in the first half of 1985. Statistics also showed that foreign companies committed to joint venture agreements were in many cases holding back from investment—with less than one-third of the country's agreed equity joint ventures yet in business.

Guangdong has attracted about half the $16bn foreign investment committed in China since 1979, mainly because of its closeness to Hong Kong and the major role in foreign investment played by the overseas Chinese.

Anxiety in the province has focussed on a survey conducted in the provincial capital in June showing that 70 per cent of ventures were in difficulties balancing foreign exchange needs, while 90 per cent of the foreign exchange generated by such ventures came not from exporting, but from domestic sales.

While Xu Zhi, Guangzhou City's deputy party secretary, insists that failures "are still in the minority," he concedes: "We want to ensure that overseas investors get their fair share during their investment here, and are able to repatriate their fair profits."

As a result, the city will not in future insist on "single item balance" in joint ventures — which essentially meant that any venture had to meet its foreign exchange costs out of its foreign exchange earnings.

Instead, it will allow "comprehensive or packaged balance" —an array of policies that were first approved three years ago, but were abandoned when Peking became alarmed at the rapid depletion of foreign exchange reserves late in 1984.

The "packaged balance" system wil lallow a venture to:

Deng Xiaoping: "Let them make money."

● Manufacture new, and perhaps unrelated products, for foreign exchange.

● Buy local products using local currency, and then export them for foreign exchange.

● Be paid in foreign exchange for goods sold in the domestic market if they are imported anyway, or are in critically short supply.

● Treat local currency earnings reinvested in projects in China as foreign investment for the purposes of preferential tax, duty, and other investment preferences.

Guangdong officials know that prospective foreign investors are likely to remain sceptical despite their renewed commitment to a more flexible set of policies, but insist they are sincere. Yang Ziyuan, Guangzhou'e deputy mayor, admitted recently that the problem of balancing foreign exchange in joint ventures "has reached a critical stage for the survival of many enterprises."

Officials point to the Guangmai soft drinks and foods venture, a partnership mainly between Beatrice of the US, and the local Foodstuffs Industrial Corporation, where products have sold well in the domestic market, but have won no export sales of note.

In terms of local currency, the venture is highly profitable, but funds needed for the import of machinery and materials are not being generated.

A commitment to allow Beatrice to acquire water chestnuts in China and export them for foreign exchange has consistently been blocked by the export bureau in charge of water chestnut exports. Many prospective investors are watching the Beatrice case to see whether or not officials can deliver on the new "packaged balance" policy.

In Hainan, the neglected tropical island that is part of Guangdong province, officials have taken direct measures to tackle problems of foreign exchange balance in ventures established locally. They insist that in ideal cases, ventures should at least balance their foreign costs.

But if this is impossible, according to Liang Qihai, director of the island's Foreign Economic Relations Commission, a sequence of options is possible:

● First, the bureau responsible for the venture will be entitled to inject foreign exchange being earned by other export ventures under its control.

● If this is impossible, then the Hainan Government will examine how important the project is: "If it is critically important, then the Government will provide the foreign exchange needed," Liang says.

● If this is impossible, then the means, and the project is still regarded as critically important, then the Government will appeal to Beijing for an allocation of foreign exchange from the appropriate department.

● If the project is not seen as critically important, but is still making good profits in local currency, then it will be allowed to invest the local currency in other projects that can earn foreign exchange, or will be entitled to buy local products for export.

Officials concede that the new policies are only now being tested in practice, but the fact that they have acknowledged foreign investors' worries may provide encouragement to those who have come close to giving up the idea of investment in China as a bad job.

● *The Guandong survey will appear in Monday's newspaper.*

THE Royal Yacht Britannia will be on loan on October 14 for a British business seminar in Shanghai port during the Queen's October 12-18 visit to China, writes Colina McDougall.

Peking's Ministry of Foreign Economic Relations and Trade, the China Council for the Promotion of International Trade and its Shanghai sub-council will sponsor the event, in which senior British businessmen will make presentations to high-ranking Chinese in sectors such as energy, transport. Companies attending include GEC, which is expected to provide the turbines for the Daya Bay nuclear power station next to Hong Kong, and Davy McKee.

Israel and Grumman look at Lavi joint production

BY JUDITH MALTZ IN TEL AVIV

ISRAEL Aircraft Industries (IAI) and Grumman, the large US aerospace corporation, have agreed to examine the possibilities of jointly prodncing and marketing Israel'e sophisticated Lavi fighter plane, due to make its maiden flight next month.

This follows the signing of a memorandum of understanding on Wednesday.

Israel is particularly interested in obtaining export licences through the US company, to sell tho $22m aircraft, which has a high percentage of US components, to third countries.

The memorandum was signed in New York following a week of discussion. Talks with Grumman are to be continued next month in Israel.

Grumman is to produce the Lavi's wing and tail sections.

Israel has come under mounting pressure from the US, the chief financier of the Lavi, to cancel the project and settle for a cheaper US-made alternative. The Pentagon contends that the Israeli defence establishment cannot afford the project and has underestimated its cost.

The Israeli Government has therefore been searching intensely for a US partner in the $2.5bn (at current prices) (£1.6bn) project, which it believes will allow it to spread the development costs, minimise tho political risks of cancellation, and create a potential export product.

According to yesterday's Hebrew - language daily, Ha'aretz, the Pentagon would be willing to eccept a partnership between tho state-owned IAI and Grumman as an alternstive to Israel producing the aircraft on its own.

But it is still waiting for the results of two studies being carried out in the US on tho costs and possible alternatives to the aircraft should it be cancelled.

Hyundai goes ahead in Canada

By Robert Gibbens in Montreal

HYUNDAI of South Korea has begun construction of its Canadian assembly factory where it intends to build an entirely new car.

The 100,000 unit capacity factory at Bromont near Montreal will cost about C$450m (£219.5m) and production is due in 1988.

The new model will be slightly larger than the existing Stellar and with front-wheel drive. Hyundai will initially import body stampings from South Korea but it is considering establishing a stamping factory et Bromont.

Hyundai says it is confident the new model will be fully competitivo end that tho Canadian market will be eble to absorb nearly all production.

The Canadian content of the cars will be about 60 per cent by 1991 when full production is due to begin. The company will then be eligible to bring in cars or parts duty free to the samo value as its Canadian production.

Hyundai sold about 51,000 Ponies and Excels in Canada in the first eight months of this year. The total for 1986 will be about 85,000. The company is likely to fall short of its 100,000 target because of competition from Japan

Rolls expands in Australia

By Michael Donne

ROLLS-ROYCE is setting up a new advanced technology manufacturing company in Australia to make turbine blade castings for gas-turbine eero-engines. It is expected to be operating et maximum ontput by late 1988. Total investment will be A$15m (£6.5m).

Mr Ralph Robins, managing director of Rolls-Royce, said in Canberra yesterday that Rolls-Royce was committed to the support of Australian civil aviation and defence needs.

The establishment of the new company would create new jobs "and bring some of the highest available engine technology to the Australian aerospace manufacturing industry."

The new plant will be expected to be commercially competitive in the international market-place, and in the initial years of operation at least Rolls-Royce will use the whole ontput in its own new engine and spares programmes in the UK.

Indonesian loan strikes problem

BY JOHN MURRAY BROWN IN JAKARTA

FRANCE, a past master of mixed credits in development projects appears to be having problems over the terms of a proposed soft loan with the Indonesian Government.

President Francois Mitterrand, who is on a four-day visit, the first by a French head of state, confirmed "there is still a hitch to be settled."

Soft loans are used to cover the French costs of projects France is showing particular interest in dam construction in East Jeva and the contract to install 24,000 telephone lines

French negotietions with Bappenas, the Indonesian state agenecy involved, were yesterday said to be at a "delicate stage." Bappenas was not available for comment.

The disagreement appears to centre on Indonesian demands that loan interest be paid in French francs. Similar problems led to protracted negotiations on a $140m (£94.6m) soft loan with Britain earlier this year. This was finally signed after Indonesie agreed to pay interest in dollars. The 3.5 per cent interest on e dollar loan was then equivalent to 6 per cent sterling.

Nomination of Chief Justice confirmed by divided Senate

BY NANCY DUNNE IN WASHINGTON

THE US SENATE confirmed on Wednesday night President Ronald Reagan's appointment of Justice William Rehnquist as the 16th Supreme Court Chief Justice.

Liberal Democrats fought the nomination bitterly and accused the judge of insensitivity to women's and minority rights. A third of the Senate—31 Democrats and two moderate Republicans—voted against the appointment. Such opposition is rare for Supreme Court nominations.

Mr Antonin Scalia, an Appeals Court judge and also a conservative, was approved unanimously. Mr Rehnquist succeeds the retiring Chief Justice Mr Warren Burger. Mr Scalia will take the seat held by Mr Rehnquist for more than 14 years.

Mr Rehnquist was attacked for memos he wrote while working as e young law clery in the Nixon Justice Department as well as for decisions written while he was on the bench. These, his critics said, revealed a support for school segregation and an opposition to the Equal Rights Amendment to the Constitution.

Mr Rehnquist was accused of a serious breach of ethics in his handling of s relative's trust nccount and in lying before the Judiciary Committee about personal attempts to stop black people from voting.

Mr Rehnquist said he was relieved the process was over and that after his swearing-in today he was not going to think about all the things that went on in tha confirmation debate."

Reorganisation of military approved

THE HOUSE of Representatives yesterday approved the most sweeping re-organistation of the US military command structure in 30 years, Reuter reports from Washington. Tha bill was sent tn President Ronald Reagan, who is expected to approve it.

The bill, a response to what were seen as inadequacies in military operations as long ago as the Vietnam ero and as recently as the invasion of Grennda, was designed primarily to improve co-ordination among the four main branches of the service, sponsors said.

The legislation, opposed by Mr Caspar Weinberger, Defence Secretary, and elements of the military, in particular the Navy, was adopted on a voice vote. The Senate approved it the same way.

Sponsors say the bill should force the Army, Navy, Marines and Air Force to work together more efficiently and would strengthen the power of the country's top military officer, the chairman of the Joint Chiefs of Staff.

Congress gives nod to Reagan Angola policy

THE House of Representatives defeated yesterday a Democratic-led attempt to stop funding for the Angolan rebel movement the National Union for the Total Independence of Angola, Reuter reports from Washington.

Democrats said US aid for Unita would escalate Angola's 10-year civil war and place Washington in a de facto alliance with the South African Government, which backs Unita.

Mr Reagan welcomed Mr Jonas Savimbi, Unita leader, to the White House earlier this year and later approved $15m in weapons and other aid. Congressional sources said this included sophisticated anti-aircraft missiles called Stingers.

Mr George Shultz, Secretary of State, in a letter urging Congress to uphold Mr Reagan's Angola policy, told legislators that cutting off aid to Unita would "stop any movement toward a negotiated settlement in Angola."

Warning of losses at Farm Credit System

BY ANATOLE KALETSKY IN NEW YORK

THE FARM Credit System, the Government-funded agency which underwrites $61bn of loans to US farmers, will lose a record $2.9bn this year and exhaust its remaining capital by early 1987, according to projections by the General Accounting Office (GAO).

The Farm Credit System buys loans from farmer-owned co-operative banks around the country and provides roughly one third of all agricultural lending in the US.

The GAO forecast, presented yesterday to Congress, implies that the US Government may be required to pump more public money into farm credit than had previously been supposed.

The Farm Credit System's own administrators have estimated that it would lose only about $1.7bn this year, followed by o combined loss of another $1.7bn during the next two years.

On this basis, the system's administration had predicted that its reserves, which stand at $3.2bn, might not be wiped out until the early part of 1988.

The GAO said that "the exact time at which the system's surplus will be exhausted is not so important as the inevitability of the event" and urged Congress to begin planning to deal with the imminent crisis.

Economists anticipate that at least $10bn of taxpayers' money will be required over the next few years to recapitalise the Farm Credit System, in what will amount to the biggest financial rescue ever undertaken by the US Government.

The system's financial requirements – and the connected issue of subsidising the interest rates the system charges US farmers – are likely to become important political issues. They come at a time of conflicting congressional pressures to trim the budget deficit, to protect US agriculture in the face of foreign competition and to hold back the tide of farm insolvencies and foreclosures in the agricultural states.

Caribbean states 'becoming criminal'

BY TONY COZIER IN BRIDGETOWN

SOME CARIBBEAN countries had been so deeply penetrated by organised crime they had become virtual criminal states, Dr Barry Rider, head of the Commonwealth Secretariat's commercial crime unit, told a workshop in Barbados on international economic crime.

"We are in this region dealing with jurisdictions which have already been so far penetrated by organised crime that you cannot really trust or have confidence in their institutions," he said.

The workshop, which ends today, is concentrating on the misuse and ebuse of banking and other financial institutions, in particular the dangers facing small countries and especially offshore financial centres.

Dr Rider said there were countries where senior politicians and senior officials had been charged with drug-related charges. The chief minister of the Turks and Caicos Islands, Mr Norman Saundors, and one of his cabinet ministers were found guilty of drug trafficking by a Miami court earlier this year. The police commissioner in Trinidad, Mr Randolph Burroughs, is facing a similar charge in Port-of-Spain.

"There are others (countries) where the institutions of state are so corrupted, so penetrated by the vast amounts of money generated by organised crime in its various forms, that really one is dealing with a criminal state," Dr Rider said.

Tho attorney-general of Bermuda, Mr Saul Froomkin, spoke of the "astronomical sums involved and the deleterious effect such matters have on the integrity and credibility of financial institutions and the countries in which they are based.

Mr Froomkin is chairman of the workshop which is organised by the Crown Agents and the Commonwealth Secretariat.

"It is necessary to be able to identify the symptoms of misuse and abuse as soon as possible and set up prophylactic measures to ensure that no foothold is gained by the fraudsters, the conmen and money launderers of the world," he said.

Stewart Fleming, US Editor, examines the domestic context to dealings with the Soviet Union

Reagan bows to his right over relations with Moscow

President Ronald Reagan, the most vigorous cold warrior to occupy the White House since the Iron Curtain closed round eastern Europe, appears to some foreign policy conservatives to have lost his nerve and jeopardised his bargaining position at the arms control negotiating table.

That notion occurred to them earlier this week as they rubbed their eyes in disbelief at the Administration's decision to swap into the custody of their respective ambassadors accused spies Mr Nicholas Daniloff, an American journalist in Moscow, and Mr Gennady Zakharov, a Soviet employee at the UN.

The mood among conservatives, who have been chafing for months as the Secretary of State, Mr George Shultz, has taken firm control of US foreign policy, was plastered all over tho editorial pages of the American media.

Mr William Safire, a conservative columnist and former Nixon Administration speechwriter, in a commentary in yesterday's New York Times (provocatively) headlined "The Road to Yalta," said Mr Reagan had "blinked first" in his eyeball-to-eyeball confrontation with the Soviet leader, Mr Mikhail Gorbachev.

Even moderates, such as Senator Richard Lugar, chairman of the Senate Foreign Relations Committee, and Mr Henry Kissinger, Mr Nixon's Secretary of State, saw the need to urge the White House to resist Soviet pressure to treat, in American eyes at least, the innocent Mr Daniloff and the guilty Mr Zakharov as equals.

It would be easier to dismiss the fulminations on the right as just a transient temper tantrum if it were not for the Senate.

After President Carter's failure in the late 1970s to secure Senata approval for the Salt II arms control treaty, which is still unratified, any president must view with alarm e right-wing insurrection against his approach to Moscow.

Indeed, it is Mr Reagan's reputation as a relentless cold warrior who would give nothing away, which has led many to the conviction that while he might have to struggle, this president would ultimately be able to secure Senate approval for a new arms control treaty once it was negotiated.

Today, however, as the Soviet Foreign Minister, Mr Eduard Shevardnadze, arrives in Washington for two days of meetings with Mr Shultz, a chill wind is blowing. The meetings were only a few weeks ago, widely seen as a staging post for a second Reagan/Gorbachev summit and, therefore, to a significant arms control agreement.

After almost three weeks of indecision about how to handle the Daniloff case, Washington has decided its conservative

George Shultz

Eduard Shevardnadze

critics are right when they warn that any succumbing to Soviet pressure to swap Mr Daniloff for Mr Zakharov will weaken Mr Reagan's bargaining position at n summit.

Thus, on the very day Mr Shevardnadze touched down in New York, the US ordered the expulsion of 25 diplomats from the Soviet UN mission in New York, saying they are spies. The official Washington line that this move has nothing to do with the Daniloff case is universally dismissed for what it is, a smokescreen.

In e superficially contradictory gesture, Mr Reagan has let it be known that et the nuclear and space arms control negotiations which reconvened in Geneva yesterday, the US is seeking to narrow the gap between the US and Soviet positions on the scale of the cuts in long-range nuclear ballistic missiles which the two sides are negotiating.

There were also reports, denied in separate bilateral talks in Stockholm, that the US was ready to accept the Soviet position on e key verification issue in the 35-nation European Disarmament Conference.

How are these apparently conflicting signals to be interpreted? According to Mr Robert McFarlane, the former Reagan Administration National Security Adviser, what Washington is saying is that, yes, it is interested in trying to establish a new framework for dealing with the Soviet Union on arms control and on regional and human rights issues. But "there is o rule book," Mr McFarlane said in a TV interview.

Before the US can get to these broader issues, the Soviet Union must understand the rules, one of which is that the US cannot tolerate the arbitrary arrest of, say, an American journalist and Moscow's decision to try to establish an equivalence between an innocent US citizen and n Soviet spy.

This explanation, however, is not comprehensive. Both sides are deeply suspicious of each others motives in their approach to the Zakharov and Daniloff cases.

Reflecting this distrust Washington and Moscow each have claimed that opponents of arms control in the respective capitals either instigated or are exploiting the Daniloff/Zakharov case. Their goal, so the argument runs, is an effort either to sabotage the summit or at least to pressure their respective political leaders to take a tougher line at the bargaining table.

As each side has escalated the confrontation, the danger has increased that n sign of weakness on what seemed at one stage like e sideshow could, as Mr McFarlane put it, "carry over to the main event,"—the prospective summit.

Washington suspects Moscow is now twisting the screw precisely to see if Mr Reagan blinks again.

The White House has decided, with the expulsion of the Soviet diplomats, not to blink but to escalate. At the same time it is trying to protect itself against the claim that, if the momentum towards a summit is lost, it was Mr Reagan's intransigence which led to the breakdown.

Thus Washington is insisting that the Daniloff case will be at the top of the agenda for the meeting today between Mr Shultz and Mr Shevardnadze. It also insists Mr Daniloff will not be the only item on an agenda originally designed to see if enough progress was being made on a wide range of arms control and other bilateral issues for both sides to agree that a fruitful summit could be held.

The conventional wisdom in Washington, expressed last weekend by the Deputy Secretary of State, Mr John Whitehead, is that Moscow needs a summit and the more stable superpower relations more than the US does.

That assumption and Mr Shultz's diplomatic skills are being put to the test.

UK NEWS

Unemployment trend slowed by job schemes

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

BRITAIN'S official unemployment total was virtually unchanged in August, and official statisticians believe that the recent expansion of the Government's special employment schemes has brought a small reduction in the underlying upward trend.

The Department of Employment said that the number of people claiming unemployment benefit totalled 3.28m last month, just 500 more than in July. The department's seasonally adjusted figure, which excludes school-leavers, showed an increase of 400 over the month to stand at 3.22m.

Lord Young, the Employment Secretary, said that trends in the labour market, particularly a rise in the number of vacancies, "gives some encouragement for the future."

"Vacancies have been rising every month this year and today stand at over 200,000, the highest figure this decade," he said.

The Government's record on unemployment was criticised by independent pressure groups and opposition parties. The Unemployment Unit said that 16 changes in the way the figures were calculated had obscured the true unemployment total which stood at 3.83m people.

Mr John Evans, Labour's shadow employment minister, said the figures were "an indictment of this Government and a badge of shame for our country." The centrist Charter for Jobs said that the Government was ignoring the means available to it to begin to tackle the highest unemployment rate in Europe.

Official statisticians believe that the underlying upward trend in the jobless rate has now slowed to between 5,000 and 10,000 a month compared with the increases of 10,000 to 15,000 seen earlier in the year.

The main reason for the slowdown is thought to be the expansion of the Government's Community Programme and the Job Start programme for the long-term unemployed.

The Government's hopes of a slowdown in the rate of earnings show no signs of being met. Yesterday's labour market statistics indicate that the underlying rate of average earnings growth in the economy remained at 7½ per cent a year in July, the same figure as since mid-1984. That compares with a inflation rate of just below 2½ per cent.

Britain's unit labour costs in manufacturing, which have been at the centre of the Government's concern over pay, rose by 6.5 per cent in the year to July, which is thought to be more than twice the level of that of its main competitors.

The department's new basis for calculation of the seasonally adjusted unemployment rate, introduced earlier this year, put it at 11.7 per cent in August, compared with a figure of 13.3 per cent on the old basis.

Elders breaks into cosy British brewing club

Lisa Wood on the international implications of the Australian purchase of Courage

MR JOHN ELLIOTT, the ebullient Australian chairman and chief executive of Elders IXL, yesterday barged into the club-like UK brewing industry with his £1.4bn acquisition of Courage, the brewing subsidiary of Hanson, the UK conglomerate.

His entry marks the first significant foreign entry into the UK beer market, where traditionally an overseas presence has come in the form of licensing agreements with an established British brewer to market or brew a foreign brand.

Mr Elliott's intentions are twofold: to become a significant UK brewer and to develop his brands, including Foster's lager, into major players in world markets.

The latter strategy is one that is being pursued by some of the most vigorous players in the field including Anheuser-Busch, the US brewer; Heineken, the Dutch brewer; Miller Brewing, the Philip Morris subsidiary; and Guinness, the UK brewer.

In the pursuit of the first objective Mr Elliott is unlikely to leave the UK brewing industry unruffled. Mr Keith Holloway, commercial director of Watney Mann & Truman, the brewing subsidiary of Grand Metropolitan, said: "Mr Elliott has a tremendous energy. We will find a lot of innovations coming from him. He comes from a totally different environment and may not be prepared to accept a lot of the things that we do."

And in the UK the acquisition comes at a time of considerable unease in the industry with the Monopolies and Mergers Commission embarking on a two-year inquiry into the tied-house system in Britain through which nearly all brewers sell most of their beer.

Mr Elliott, who now has a substantial tied estate of his own in Britain, undoubtedly will have his own views on the status quo. One analyst said: "Mr Elliott is more likely to want to get all his beers into other peoples' pubs rather than keeping theirs out of his."

Certainly Mr Elliott is critical of the status quo in Britain. He was reported as saying to the Monopolies and Mergers Commission in its recent investigation into the Elders IXL bid for Allies Lyons, which will now not be renewed, that he regarded that acquisition as a challenge to the present "cosy" domination of the "big six" brewers in the industry, which had no real overseas competition.

With a number of strong brands, including Courage Best and John Smiths, Courage has been weak in the important take-home trade, particularly with its Hofmeister brand. It is here that Elders IXL believes it can beef up operations, bringing its experience of packaged beers from its Carlton United Breweries in Australia.

The relationship concerning Foster's in the UK – brewed under licence by Watney Mann & Truman with an agreement scheduled to last for 12 more years – is yet to be examined with Watneys. However, Mr John Dunsmore, of Wood Makkenzie, the Edinburgh stockbrokers, said: "It is not in either party's interest to harm the brand."

Foster's is the brand identified by Elders IXL as offering its strongest overseas potential. It is already sold in a number of export marketss, including the US where imported beers, while small as a percentage of the total beer market, command premium prices.

British brewers traditionally export relatively small quantities of beer. In 1985, while total imports amounted to about 2.3m barrels (about 5.9 per cent of UK consumption), exports amounted to about 600,000 barrels. Elders IXL, which exports 20 per cent of its Carlton United Brewery production, intends to add on lager production in the UK for its brands and export them.

"We have needed more production bases," said Mr Peter Bartels, general manager of CUB in Australia. "In the current marketplace you have to have international brands," said Mr Bartels.

"British brewers have been unable to export because they have traditionally made draught beers with associations of the British pub. We have developed packaged beers which do not require the imagery of the pub."

While one strategy in developing international beer brands is licensing agreements, another – as yesterday exhibited by Mr Elliott – is acquisition. "Elders IXL is the first major example of the latter route and could be a guideline as to other companies looking to make similar acquisitions," said Mr Dunsmore of Wood Mackenzie.

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Trevor Humphries

John Elliott: acquiring a taste for British beer

Elliott takes Courage

BY CHARLES BATCHELOR

THE COURAGE deal represents an opportunity for Mr John Elliott, the barrel-chested managing director of Elders IXL, to establish his company and its Fosters lager as a leading international brand alongside Heineken, the Dutch brewer, which Mr Elliott clearly admires.

It gives him a British brewing base from which to tackle markets in Europe, North America and elsewhere. Fosters is already sold in 80 countries worldwide but is brewed in the UK under licence by Watney Mann.

Mr Elliott was not giving much away yesterday about his long-term plans in other areas, but he did hint at increased opportunities for Elders' finance and trading activities in the UK.

These were given a boost last February when Elders paid £30m for the financial services and energy business of Rudolph Wolff, the troubled UK commodities and futures trading house.

The Courage purchase will be part-financed by bank lending, but Mr Elliott plans to extend the banking consortium to 12 markets, including some British banks.

Hanson maintains record

By Charles Batchelor

FOR LORD HANSON, the suave chairman of Hanson Trust, the Courage sale confirms him as a master at the art of acquiring companies and disposing of unwanted assets at a premium price.

Hanson's £2.8bn acquisition of Imperial Group, which brought Courage into the Hanson embrace, prompted unprecedented criticism of the Hanson strategy. Profits could only be sustained by ever larger bids, and how were these to be financed, the doubters asked.

Lord Hanson's rapid disposal of the superfluous parts of both Imperial and SCM, the US typewriters and chemicals company, acquired last January, has given at least half an answer to the critics.

Hanson Trust has recouped the $930m (£628m) paid for SCM by the sale of a range of its businesses, including most notably the Glidden paint operation which went for $580m to ICI in August. This has left Hanson with the typewriter, titanium dioxide and other industrial activities, effectively for nothing.

In the five months since Hanson gained control of Imperial, a thorough review has been under way of what should stay and what should go.

The first part of Imperial to be sold off was the hotels and restaurants business. This went to Trusthouse Forte for about £190m in July. Courage had been known to be up for sale for some time while Hanson also hopes to reach agreement shortly on the sale of Golden Wonder, the crisps and snacks arm, for about £95m, to an unnamed buyer.

ICI's bulk chemicals divisions merge into £3.5bn subsidiary

BY TONY JACKSON

IMPERIAL Chemical Industries' reorganisation of its bulk chemical businesses was confirmed by the group yesterday. Despite the mass of detail accompanying the announcement, some questions remain unanswered.

The four divisions which comprise ICI's commodity chemical businesses in Western Europe – fertilisers, fibres, petrochemicals and plastics and the Mond general chemicals division – are to be merged into a £3.5bn turnover business.

In a significant departure from ICI's normal practice, the new group will be formed into a wholly owned subsidiary company, known as ICI Chemicals and Polymers Group.

Employing 38,000 staff, the group will be based at Runcorn on Teesside, north-east England, under the leadership of Mr Dick Lindsell, at present chairman of Mond division. There will be major job losses though ICI yesterday refused to specify numbers.

"There will be no night of the long knives," Mr Lindsell said. "But over the next two to three years there will be significant economies, which we will specify as we work the process through." Overall, it was made clear, job losses would be well into four figures though there would be voluntary redundancy as far as possible.

The news of the reorganisation was well received in the City of [illegible] £50m a year by 1988. Sir John Harvey Jones, ICI's chairman, insisted: "We are not doing this for the stock market. We're doing it to put those businesses into the best possible nick to fight their corners in the long haul."

In a revealing aside, Mr Denys Henderson, chairman elect, said the new group would be "a very vital part of ICI plc, and we will remain for some time 100 per cent shareholders." This immediately gave rise to suspicion that ICI might intend selling off the business in the future, thereby gaining the stock market rating appropriate to a speciality rather than commodity chemicals manufacturer.

In fact, the reverse seems likely. ICI needs the positive cash flow from its commodity businesses to develop the more high-tech end of its operations. As the board made clear yesterday, the new group will be expected to contribute to ICI's cash kitty in good years. But, said finance director Mr Alan Clements, "we'd [illegible] if it had to take out [illegible]"

This will always be a capital-intensive business, and ICI, like the rest of Western Europe's chemical majors, will have to decide which businesses deserve reinvestment in five or 10 years' time. If the costs seem to call for a joint venture approach – as has been commonplace for individual ventures in the past – the independent status of the new company gives it an extra flexibility.

Perhaps the most remarkable aspect of the reorganisation is the way in which it shows ICI moving away from the chemical industry's traditional cult of gigantism.

Labour to raise taxes for those earning £26,000

BY JOHN HUNT

MR ROY HATTERSLEY, Labour's Shadow Chancellor of the Exchequer, made it clear yesterday that people earning £500 a week or more – the equivalent of £26,000 a year – would have to pay "substantially" more in income tax under Labour's tax and welfare proposals which are to be put to the party's annual conference at the end of the month.

Mr Hattersley, officially launching the party's tax document that was published some weeks ago, said these increases would come into effect in the first budget after a Labour government came to power.

The £3.6bn raised annually from the wealthiest 5 per cent of taxpayers would enable Labour to extend the long-term benefit rate for those unemployed for over a year, to increase weekly child benefit by £3 and raise the retirement pension by £5 for a single person and £8 for a couple.

But he stressed that he did not envisage obtaining this money by increasing marginal rates of income tax. It could be done by changing the allowances, and the Shadow Cabinet was now working on details of this. "A reduction in deductable allowances is preferable to an increase in marginal rates of income tax," he said.

Mr Hattersley thought there were "myriad" ways in which this could be done, and ha pointed to the example of the tax reforms now favoured by the US Administration.

Labour's proposals came under savage attack last night by Mr Nigel Lawson, Chancellor of the Exchequer. "It would be a very damaging package and would mean higher taxes for everyone," he said on BBC television news.

It would mean, he claimed, that those on £500 a week would have their taxes going up to at least 70 per cent. This was higher than in any country in the world and would lead to another "brain drain" of the talented people from the UK.

Also implemented during the aarly life of a Labour government would be an extra family allowance of £4.36 for the first child in order to compensate for the loss of the married man's allowance. To balance this, a special new allowance would be paid to older childless couples, and this would be phased out as they reached retirement age. The intention of this would be to help lower-income couples,

Maxwell plans 24-hour paper as London evening is delayed

BY RAYMOND SNODDY

MR ROBERT MAXWELL, publisher of Mirror Group Newspapers, announced yesterday that his London Daily News would be launched on February 10 as Britain's first 24-hours-a-day newspaper.

The news surprised staff on the newspaper who thought they had been hired to run a conventional London evening due to start in mid-November to contest the market with the London Standard. Mr Maxwell said yesterday the 24-hour paper, which would cost nearly £20m, was the realisation of "a long-felt dream."

"Now at last, with modern technology and the more realistic attitudes of the print unions, it has become practicable to bring this idea to fruition," Mr Maxwell said.

Agreement, he said, had already been reached with the National Union of Journalists and the National Graphical Association for direct keying in of copy by journalists. Talks would begin immediately with the distribution union Sogat.

The first edition of the new London newspaper would go to press at 2am and be delivered at the same time as the national dailies. The paper would be updated throughout the day, particularly to serve the City of London with financial information. A 10pm edition for London's West End is planned.

There would be an initial print run of more than 1m copies a day, and the stance of the newspaper would be politically independent and up-market, Mr Maxwell said.

About 150 staff, including 100 journalists, have joined the London Daily News. This will now be increased because of the extra demands of working round the clock. The paper will be published five days a week, but a move to six-day printing is clearly being considered.

Mr Bill Gillespie, a senior Daily News executive, said yesterday he was looking at all distribution methods for the newspaper, including rail, underground and delivery by milkmen.

Some journalists on the Daily News were suggesting yesterday that the immediate move to a round-the-clock newspaper may have been a face-saving tactic because Mr Maxwell was unable to meet his launch target

Plants to have electricity price cuts

BY MAURICE SAMUELSON

SOME of Britain's key chemicals and steel plants, which have long compained of paying more for their power than their continental European competitors, are to have price reductions of up to 15 per cent under a scheme approved yesterday by the electricity industry.

The scheme, to last for three to five years, was welcomed by a group of energy-intensive industries which last year told the Government that failure to adopt it could lead to the loss of 15,000 jobs.

Mr Robin Paul, chairman of the Chemical Industries Association fuel and energy committee, said his industry had been paying "over the odds even at the present exchange rates."

The Electricity Council, the power industry's umbrella body which approved the plan, said it could help more than 200 customers, accounting for a third of all industrial consumption.

Most British industrial consumers enjoy electricity prices comparable with those elsewhere in Western Europe. But continuous process plants, which cannot rely only on cheap off-peak power, have complained of paying up to 20 per cent more than similar continental sites.

The price cuts will be introduced from October 1.

BA will resume recruiting of pilots

By Michael Donne

BRITISH Airways is to start recruiting pilots early next year for the first time in 10 years and has awarded a £5m contract for their training to British Aerospace, which is setting up a new flying college at Prestwick, Scotland.

BA's first new intake will involve about 100 men and women, aged between 18 and 23. They will be chosen next year, after an extensive advertising campaign, and they will start early in 1988 on an intensive 69 weeks' course at Prestwick. They will then move into the airline for further training.

The cost to BA will be about £50,000 per pilot for the college course, with another £50,000 for the further airline training.

British Airways says that, with pilots retiring at age 55, the airline will need at least 1,200 new pilots by the end of the century to replace current pilots at present in their mid-40s, as well as to meet future needs.

The airline has about 2,000 pilots, aged from mid-30s to their 50s, with only a handful of young pilots. BA last recruited pilots through its own training college at Hamble, on the south coast of England, which is now closed.

London and Dublin set up international aid fund for Ireland

BY OUR BELFAST CORRESPONDENT

Tom King: help of practical value

THE BRITISH and Irish governments yesterday formally established an international aid fund under the Anglo-Iish agreement to promote economic and social development in both parts of Ireland.

The bulk of the aid will come from the US, where Congress has approved a contribution of $50m this year and $35m for each of the following two years.

The agreement setting up the International Fund for Ireland was signed in Dublin by Mr Peter Barr, the Irish Foreign Affairs Minister, and Mr Robert Stinson, the British Chargé d'Affaires, and in London by Sir Geoffrey Howe, the Foreign Secretary, and Mr Noel Dorr, the Irish ambassador.

Under the Anglo-Irish agreement signed at Hillsborough in Northern Ireland last November, the British and Irish prime ministers pledged to co-operate in encouraging economic and social development in the parts of Ireland which had suffered most from the instability of recent years and to seek international support.

As well as the US aid, Canada will provide $7.2m, and a contribution is expected from New Zealand. The two governments are discussing the best method of applying for financial assistance from the EEC.

The fund was welcomed by Mr Tom King, the Northern Ireland Secretary, and by the main constitutional nationalist party in Ulster, the Social Democratic and Labour Party.

However, it was dismissed as "a slush fund" by Mr Jim Allister, chief whip of the Democratic Unionist Party. He said Dublin and London were wrong to believe that the Anglo-Irish agreement could be made acceptable to Unionists by "greasing Ulster's palm."

Mr Barry told a Dublin press conference he saw no reason why applications to the fund would not be received from the Unionist community.

He said: "When the reality of the fund becomes clear and it is seen as a genuine effort to bring about reconciliation, I believe there will be a change in Unionist attitudes."

The two governments will each appoint three trustees and will agree on a chairman to administer the fund. The names, to be announced shortly, will include prominent business figures. Two investment companies are to be set up, one in Ulster and one in the Republic, to distribute the money.

Mr Barry said the aid could be used to finance anything from local community halls to industrial investment and infra-structure improvements. Northern Ireland, because of the special problems it had faced, would receive about three quarters of the fund's resources.

Mr King said it would give help "of real practical value" and was tangible evidence of the desire of the US and Canada to promote peace and stability in Northern Ireland.

Japanese pleased with investments in Wales

BY ROBIN REEVES, WELSH CORRESPONDENT

SIX out of 10 Japanese manufacturing companies in Wales now have productivity levels as good as, or better than, their plants in Japan, according to a survey by management consultants Arthur D. Little, published today.

All 10 Japanese companies interviewed in the survey, which was commissioned by the Welsh Development Agency, expressed satisfaction with most aspects of their Welsh operating experience. They said that they found the business environment conducive to expansion.

Industrial disputes at the Japanese plants in Wales were virtually unknown – nine of the 10 companies have not lost a single day through industrial action since 1980.

Several managers also stressed the benefits which had come from combining the best of Japanese and local management techniques. The 10 Japanese companies in Wales covered by the survey employ a total of 3,680 people, of whom approximately 100 are Japanese.

Since the survey was carried out, another two, Orion Electric and Kyushu Matshushita Electric, have decided to establish plants in Wales to manufacture, respectively, video recorders and electronic typewriters.

Asked about problems, a number of the companies mentioned difficulties in finding specific categories of skilled labour, especially for technical, managerial and supervisory positions, and difficulties over guaranteeing component supplies of the right quality.

"The most widespread criticism of European suppliers was that they are unco-operative and not, in general, willing to enter into the close long-term relationship that is such a common feature of business between a manufacturer and its suppliers in Japan," the Little report says.

It suggests that one reason for this reluctance is that suppliers are worried that Japanese companies may eventually discard them in favour of Japanese component suppliers which have also decided to invest in operations in the UK.

UK NEWS

Retailers stay optimistic that growth will continue

BY CHRISTOPHER PARKES, CONSUMER INDUSTRIES EDITOR

BRITISH retailers are enjoying their best period of sales growth since last summer and expect business to improve further, according to the Confederation of British Industry (CBI).

Clothing and food shops are most buoyant and optimistic, and off-licences (alcoholic drink retailers) are also doing well, Mr John Salisse, chairman of the CBI distributive trades survey panel, said yesterday.

Confectionery, tobacco and newspaper shops continue to report and expect sales growth below the average for all retailers.

Introducing the latest quarterly CBI/Financial Times survey of retailers, wholesalers and motor traders, he said businesses in all areas – even those with high unemployment – reported strong growth.

He added that traders in main shopping streets and multiple stores seemed to be prospering at the expense of smaller independent shops. Some areas which depended on tourists for summer trade had also suffered.

Optimism in the retail trade was reflected in reports that shops were employing more full and part-time staff than a year ago and also in their plans for extra capital spending.

Wholesalers among the 581 respondents in the survey seemed less certain about prospects. They did not expect any increase in capital expenditure, and their sales in August rose more slowly than in July. Even so, most forecast an improvement this month.

Builders' merchants and wholesalers of household durables were most optimistic about growth, but farm machinery dealers and suppliers of machinery and office equipment expected lower sales than in September last year.

Mr Salisse said the apparent difference between retailers' and wholesalers' views might stem from increased direct purchasing among major store chains.

Mr Ian McCafferty, head of the CBI economic trends department, said there were often month-by-month fluctuations in stocking patterns.

Wholesalers' selling prices were now rising more slowly than at any time since the survey started in 1983, Mr Salisse noted, although slightly faster growth was expected in the coming months.

Price increases at retail level had also slowed down this year but picked up a little during August.

Compared with a year ago, the number of part-time retailing jobs rose more quickly than full-time. Clothing, footwear and leather shops reported good increases in both full and part-time employment and expected this trend to continue in the next few months.

Retailers of household textiles, furniture and hardware employed fewer full-timers than a year ago

BUSINESS LAW

Contingency fees could reduce number of expensive trials

Dear Mr Crossick,

Many thanks for your letter,* challenging me to say who would pay the losing party's costs in a contingency fee system as advocated in this column on August 28. I must apologise for not answering sooner, but I had fallen once again into the hands of surgeons.

Lying flat on my back gave me plenty of time to muse how depressing would be the fate of the journalist, sending his epistles unaddressed into the black void, but for readers who take the trouble to write. No matter whether they write to pat me on the back, to correct my mistakes and omissions, or simply to vent their disagreement, disapproval, disdain and anger – to all of them, my heartfelt thanks.

Now, however, let us address the question you have raised. First, we must recognise that the simplicity with which you put your argument is deceptive; the unsuccessful litigants for whose legal costs, you say, any effective contingency fee system should provide, must be considered in four, widely differing categories.

First, there is the plaintiff who retains a lawyer on a contingency fee basis and loses the case. The legal costs are the risk which the lawyer undertakes for the chance of a share in the award. You will ask: are these merely the legal costs of the plaintiff or also those with which he must reimburse the winning party? This depends on the agreement, but if the plaintiff is impecunious, it would have to provide that the entire costs, plus any award of costs to the defendant, should be met by the plaintiff's lawyers.

Second, there is the unsuccessful defendant. In the US, the home of the contingency fee system, costs are only rarely awarded to the successful defendant. In the UK, however, it is the rule although the award usually covers only about half of the actual costs. The defendant may be somewhat better off after the recent change in the taxation rules of the courts, but he will still remain substantially out of pocket.

An English contingency fee agreement would have to take this into account. If the lawyer was optimistic about the outcome, he would be prepared to underwrite the entire costs in exchange for a fee proportionate to the success of the defence. This would be so calculated as to leave him with a profit when he wins and with a loss equal to total costs if he loses, and somewhere in between if the defence is only partially successful.

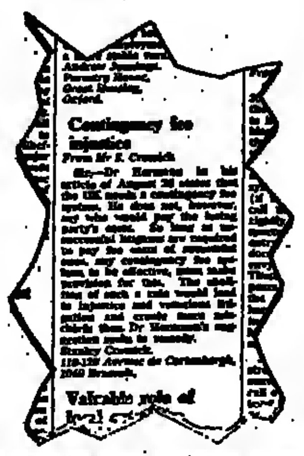
It is clear that no contingency fee lawyer would be available to penniless defendants, unless the legal aid fund would promise to pay the contingency fee in case of a successful defence.

The third and fourth categories are those of unsuccessful plaintiffs or defendants who remain outside the contingency fee systems because they retained a lawyer on a conventional basis, receive legal aid or appear as litigants in person. They will be in the same position as they are now.

You are, of course, right to point out that to abolish the rule that the unsuccessful litigants must pay the costs of successful ones would be a backward step, leading to injustice and facilitating vexatious litigation.

However, it would be wrong to jump from this to a conclusion that this rule suffices to eliminate vexatious litigation and to ensure that unavoidable litigation is conducted efficiently and economically.

The parties are seldom familiar with substantive law and with the intricacies of civil procedure. They may tend to think that truth prevails, never mind the rules of evidence. They may be under the spell of legal mystique and accept whatever is presented to them as "the advice of leading counsel." And, hot under the collar, they may be propelled by emotion – be it ambition, greed, desire for vengeance or hate – towards self-destruction.


Contingency fee injustice

From Mr S. Crossick

Valuable role of

I hope you will not find it too tedious if I illustrate my argument by a few words about the dispute between *Movitex Ltd and R. W. Bulfield & Others* which, as you are now practising in Brussels, may have escaped your attention.

The judgment given in this case by Mr Justice Vinelott on July 25 would interest you, I believe, primarily for his analysis of the law governing the fiduciary duties of directors of companies. The prohibition of "self-dealing" and the duty of fair dealing are analysed in detail.

The judgment demonstrates that even prohibited self-dealing can be vindicated by evidence that it was conducted fairly and in the interest of the company, and where the board must have been aware that some directors transferred a real estate deal to themselves, even if this was not expressly and formally recorded in the minutes.

What I find striking in the context of the discussion about contingency fees is that this dispute over the ownership of property, valued by some at £600,000 and by others at only £200,000, was prosecuted and lost on behalf of a company in liquidation – that is, on behalf of its unsecured creditors – with legal costs estimated now at some £500,000.

That is more than the contested building was worth to either side. Even if Movitex had won, it would have had to repay at least the original outlay to Mr Bulfield.

Mr P. Heslop, QC, assisted by Mr Y. Crow (instructed by Wilkinson Kimbers for Movitex) and Mr W.F. Stubbs, QC, assisted by Mr J. Ragner-James (instructed by Norton, Rose, Botterell & Roche) for the defendants engaged in a legal battle of heroic dimensions.

The trial lasted 71 days, spent mainly in establishing the precise circumstances of the acquisition in 1969 of a factory at Edgware in London by a company created for the purpose by Mr Albert Perry and Mr R. Bulfield, who at that time were controlling Movitex as principal shareholders and two of its three directors.

This enormous fact-finding exercise, conducted with the full panoply of the High Court parties, witnesses, documents and no fewer than six lawyers always present (not counting the judge) – seemed to me like Jonathan Miller's production of Alice in Wonderland. Although Movitex board meeting minutes were somewhat erratic, it is impossible to believe that the *dramatis personae* were either unaware or unable to inform themselves easily of the two crippling blows which the company suffered in 1969 and 1973 and which made the contested transactions necessary for its survival.

In 1969, Lloyds Bank called in a large slice of its overdraft while Movitex was changing horses midstream: as part of a planned expansion it sold its Wembley site and paid a deposit on larger premises in Edgware. As a result of the bank's action, it was unable to complete the acquisition of the Edgware property while it had to vacate its premises in Wembley. Mr Bulfield and Mr Perry saved the day by buying the Edgware property and leasing it to Movitex on favourable terms.

In 1963 the oil price crisis brought Movitex again to its knees. Its plastic stock-in-trade was suddenly devalued. To overcome the cash-flow problem, Mr Bulfield and Mr Perry advanced first £80,000 and then £20,000, secured by the contested mortgages on the leasehold interest which Movitex had in the Edgware property.

Six years later the control of the company passed into other hands. Mr Bulfield and Mr Perry left the board. In 1980 Mr Bulfield claimed compensation for unfair dismissal at an industrial tribunal, and a few months later the new management opposed in the High Court the acquisition by Mr Bulfield and his associates first of the Edgware property and then of mortgages on its lease to Movitex.

Mr Justice Vinelott found that Mr Bulfield and Mr Perry acted fairly and in the interest of the company in acquiring and leasing to it the Edgware property. Also, the first mortgage for £80,000 was in order. Only the second mortgage for £20,000 was not properly authorised by the Movitex board and must be set aside.

A simple story, you will say, the usual post-divorce squabbles about what the ex-partners did and why, donkey's years ago.

But really, Mr Crossick: if you were asked to act for Movitex on a contingency fee basis (assuming this became permissible in thr UK), would you not do all in your power to settle the case without a 71-day trial and without risking that you might be out of pocket to the tune of £500,000 in legal costs?

Yours sincerely

A. H. Hermann

Legal Correspondent

**Letter to the Editor from Mr S. Crossick, Brussels*

Advent of Thatcher has brought about a quiet revolution

Norman Bowie on the arrival of 'a truly free market'

THE ADVENT of the Thatcher Government seven years ago has brought about a quiet revolution in the property markets.

Tha policies of disinflation, lower interest rates, deregulation and the reversal of gradualism — that leftward drift to a socialist state — have set major forces at work. Similar forces overseas have added strength to the changes we have witnessed to date.

A strong tide has set in and it is pertinent and wise to consider how much further these forces have yet to travel. He who judges correctly the characteristics and the structure of future markets can reap a good crop of rewards, perhaps at the expense of others.

The arrival of a tenants market in the three commercial sectors — offices, retail and industrial—after three decades of almost a continuous landlord dominated scene has meant that we have a truly free market. The tenant is dictating the lease terms, often insisting on early rights to determine, shorter leases, and opting out of responsibility for structural repairs.

We must expect this to continue, with the consumer whether as tenant or owner, enjoying a wider choice of space in terms of location, quality and price. Developers have responded to this consumer demand, which has been fuelled by high growth in credit facilities now available to both individuals and companies.

Banks, including the many arrivals from overseas, are pressing loans on developers, often on novel terms untested hitherto in the UK. Developers are more numerous and the older hands have been joined by a new generation, less experienced, and the institutional funds.

The feast and famine property cycle is always on the move and the feast of fresh space is being prepared for the consumers to see and enjoy. The three most apparent areas of possible over-supply are large dealing floors for the City of London, high-tech and business parks in the Thames Valley and the M25 districts, and retail in many urban areas with the extra out-of-town units.

The consumer demand in the City is strong and the supply response, although slow to take off, is gathering strength daily. The consumer, in the form of the new financial conglomerates and their satellite professional advisers, may well have overestimated their market share and will be forced to reduce tha number of employees and cut space.

Rents are likely to level off and the possessors of older vacated buildings, whether as owners or tenants seeking an assignee, could come face to face with the problem of accrued obsolescence and falls in value. The consequence of the enlargement of "the City" and the acceptance of the fringe is a shift of land values and this will continue to the benefit of some owners and the detriment of others.

Interestingly, the West End of London, as a contrast, presents a more stable picture for commercial space. The greater variety of users with their range of space requirements in the services industries adds underlying strength.

If the expected changes in the Use of Classes Order are implemented, the creation of a single business class embracing offices, high-tech and light industry will have a dramatic effect on values. Overnight the consumer choice will be widened—computer centres now ranking as offices will be able to be located in a light industrial building.

The owners of the mixed industrial estates of the 1960s will reap an unexpected reward. Many of these holdings, which are currently valued on an 11 per cent to 13 per cent basis, will be excellent material for redevelopment. So, again, the consequence will be of an overall levelling of land values. The £1m or more per acre could well be the historic peak in real terms just as City office values reached their peak in 1973.

The consumer with this free choice will increasingly rank accessibility — both for employees and customers—as a high decision factor and ample car parking a close second. The growth of the car population will continue to exceed that of people and will be an important influence on property values.

The retail scene is no exception to this speed of change, which seems suddenly to have descended on us. The supermarket, since it first appeared in the mid-1950s, has been through several changes and is now on the move out of the high street. In changing the name to superstore, it has widened its range of goods and pushed up its own car park needs—some operators requiring 200 spaces at ground level. The retail warehouse is another form of response to consumer demand and the growth in spending power above the inflation rate.

A high street which does not update itself, either due to local authority inertia or physical impediments, will be the loser. Although its rate of loss of spending power could be cushioned by the growth in shoppers' incomes, its inherent value will lose some of its underlying strength and investment attractions.

The high street does offer convenience to nearby residents and for longer hours but the gap in price levels is becoming an increasing reason for the consumer to jump into the car and save some money with which to buy something extra.

The "We ain't seen nothing yet" syndrome must apply to the electronic revolution, which is still in its infancy, and will have a profound affect on where people work and spend their money. This coincides with the arrival of a property market subjected to less rigid planning controls but still often suffering from an outdated infrastructure. It has becoma increasingly important for investors and developers to select those areas where demand is likely to remain strong and there are constraints on supply.

The market has suddenly woken np to the harsh fact that 25-year old buildings are really tired and a new lease of life can be given to them only by a large injection of capital if they are to remain competitive with the new arrivals. Francis Salway's research report, Deprication of Commercial Property, published by the College of Estate Management, has brought out into the open the truth about obsolescence and depreciation.

Rental growth in real terms soon starts to fall away even in relatively young buildings as compared with the latest finished buildings while worse still, investment yields rise to compound the fall in capital values. The proportion of short life components in buildings is still increasing and investors have yet to adjust their views on market values to reflect this fact by raising buying yields on new projects.

There is a lack of published information on the relative yield gap between new and older properties and the rental growth (or decline) rates of each of these categories. The latest high in a town is too often used as a base for quoting rental growth rates and to justify investments acquisitions at apparent unrealistic levels.

In their search for higher returns from property, the institutions are increasingly becoming developers in their own right or lining up with entrepreneurs. This has put pressure on profit margins on development costs and has reduced these to quite narrow limits, which sometimes are too dangerous for comfort.

Institutions can conceal their losses from public gaze but developers depending on 100 per cent loan finance with interest rolling up, hoping for a tenant on completion and then a quick sale at the end of the day need a good margin to absorb market downturns or weaknesses.

The investor in property is confronted with market conditions not seen for many a year —a low inflation rate of 2.4 per cent but perhaps due to rise a little; high real interest rates of 7 per cent; development returns usually below the cost of borrowing; a market in which tenants generally have a widening choice and a more rapid ageing process in buildings. Business confidence in the future is important and any doubts by the decision makers on moving or expanding will be bad for space take up.

The investment yield spectrum of 4 per cent to 14 per cent is historically wide and must be signalling to buyers and sellers some future trends. This is against the current domestic and overseas economie background and the inevitable uncertainty before the coming general election plus property's lack lustre performance in recent years.

Many yields do not yet reflect the effects of obsolescence and some further adjustments will occur, particularly in the buildings falling into the five to 15 year age group. Apart from this, the yield spectrum looks fairly stable although the 4 per cent end could weaken with further sales and most new money mainly looking for minimum yields around the 6½ per cent mark or more.

The arrival on any scale of unitisation in any of its projected forms will only increase the supply side to cause yields to rise as a balancing demand for units is not apparent. Low yields are predicting high growth rates and require in effect the payment of a substantial premium often 150 per cent to 200 per cent over the price of a higher yielding property.

The npper third of the spectrum—the high yielders—have undoubted attractions for those investors, who in particular have further resources to inject for modernisation or redevelopment. The yields will still show a good real rate against any higher rate of inflation. These properties should have a high land value content and be of freehold tenure.

Stock selection will remain important and sound research is needed into demographic trends and movement of people and spending power, the infrastructure particularly as to accessibility and the effects of national economic generators—such as the Channel Tunnel and Stansted Airport, and local employment trends.

This last must not be overlooked. High unemployment is a sad fact but the workforce is growing in numbers, predominantly in tha service sectors. Every 100,000 increase probably requires around 10m sq ft of space, so new and updated space will be taken np if it is of the right quality, in the right place and at the right price.

Institutional funds should start to take a much closer look at the leisure industry which does and will continue to present opportunities for sound investment with attractive returns. The industry is, by its nature, fixed asset related. Recent moves by property companies into football and greyhound stadiums show that selected units have sound inherent values. Leisure investment need not be confined to hotels and the wide range of choice of activity represents a challenge to the investment surveyor.

The property market as always presents a field of opportunity for rewarding investment but some degree of caution needs to be exercised because the coming months could well throw up some unexpected adverse factor enough to cause a shudder and weaken confidence.

The author is an honorary fellow of the College of Estate Management.

Company Notices

SOCIETE NATIONALE ELF AQUITAINE

(Incorporated with limited liability as a société anonyme under French Law)

NOTICE OF MEETING

EXTRAORDINARY RESOLUTION

VOTING AND QUORUM

PRINCIPAL PAYING AGENT

The Chase Manhattan Bank, N.A.

OTHER PAYING AGENTS

Banque Bruxelles Lambert, S.A., Avenue Marnix 24, B-1050 Brussels.

Chase Manhattan Bank, Luxembourg S.A., 47 Boulevard Royal, Luxembourg.

Chase Manhattan Bank (Switzerland), 63 Rue du Rhône, CH-1204 Geneva.

Dated 19th September, 1986.
Registered Office:
Place de la Coupole,
Tour Elf,
La Défense 6,
92400 Courbevoie,
France.

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France.

SOCIETE NATIONALE ELF AQUITAINE

RIGGS NATIONAL CORPORATION

US$100,000,000

FLOATING RATE SUBORDINATED CAPITAL NOTE 1996

In accordance with the provisions of the Notes NOTICE IS HEREBY GIVEN that for the period September 18, 1986 to December 18, 1986 the Notes will carry a rate of interest of 6¼ per cent per annum with a coupon amount of US$157.99.

CHEMICAL BANK
as Agent

CITY OF MONTREAL

3% PERMANENT DEBENTURE STOCK
NOTICE IS HEREBY GIVEN that the Transfer Register will be closed from 13th October to 31st October, 1986, both dates inclusive.

THE ROYAL BANK OF SCOTLAND plc
Registrars

Registrar's Department
14 Old Broad Street
London EC2N 1DL

SPANISH 4% EXTERNAL LOAN (1974) ISSUE

The coupons due 1st October 1986 may be presented for payment at BANCO EXTERIOR — U.K., 60, London Wall, London EC2P 2JB, between the hours of 10 a.m. and 2 p.m.

London,
19th September 1986.

LEUMI INTERNATIONAL INVESTMENTS NV

US$80,000,000 Guaranteed Floating Rate Notes 1988

Extendible at the Holders Option to 1991

The interest rate applicable to the above Notes, in respect of the six month period commencing 19th September 1986, has been fixed at 6⅜% per annum. The interest rate amounting to US$32.06 per $1,000 principal amount of the Notes will be paid on 19th March 1987, against presentation of Coupon No. 10.

BANK LEUMI TRUST COMPANY OF NEW YORK

Riggs National Corporation

US$60,000,000

Floating rate subordinated Capital Note 1996

In accordance with the provisions of the Notes NOTICE IS HEREBY GIVEN that for the period September 18, 1986 to December 18, 1986 the Notes will carry a rate of interest of 6⅛ per cent per annum with a coupon amount of US$159.57.

CHEMICAL BANK
as Agent

De Beers Consolidated Mines Limited

Incorporated in the Republic of South Africa
Registration No 11/00007/06

NOTICE TO HOLDERS OF DEFERRED SHARE WARRANTS TO BEARER

PAYMENT OF COUPON NO. 77

With reference to the notice of declaration of dividend advertised in the Press on 20th August, 1986 the following information is published for holders of share warrants to bearer.
The dividend of 20 cents per share was declared in South African currency. South African non-resident shareholders' tax at 1.3636 cents per share will be deducted from the dividend payable in respect of all share warrant coupons leaving a net dividend of 18.6364 cents per share.
The dividend on bearer shares will be paid on or after 5th November, 1986 against surrender of Coupon No. 77 detached from share warrants to bearer as under:—

(a) At the offices of the following continental paying agents:

L'Européenne de Banque
21 rue Laffitte
75425 Paris

Banque Bruxelles Lambert
24 Avenue Marnix
1050 Brussels

Générale de Banque
3 Montagne du Parc
1000 Brussels

Credit Suisse
Paradeplatz 8
8021 Zurich

Union Bank of Switzerland
Bahnhofstrasse 45
8021 Zurich

Swiss Bank Corporation

Banque Internationale a Luxembourg S.A.

ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED

18th September, 1986

the dividend is allowable as a credit against the United Kingdom tax payable in respect of the dividend. The deduction of tax at the reduced rate of 22.182% instead of the basic rate of 29% represents an allowance of credit at the rate of 6.818%.

De Beers
De Beers Consolidated Mines Limited

NATIONAL BANK OF CANADA

(A chartered bank governed by the Bank Act of Canada)

US$150,000,000
Floating Rate Debentures, Series 7, due 1998

In accordance with the description of the Series 7 Debentures, notice is hereby given that for the six month Interest Period from September 19, 1986 to March 19, 1987 the Series 7 Debentures will carry an Interest Rate of 6¼% per annum. The Coupon amount payable on Series 7 Debentures of US$25,000 will be US$785.59.

The Reference Agent
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The Council
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and with the support of the
Department of the Environment
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Town Hall, Wakefield WF1 2HQ
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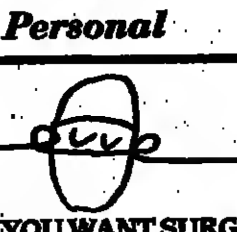
Fax: 0924-370211 ext. 7067

Personal



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Due to the reorganisation of the Appointments Pages, the Financial Times is now able to offer a substantially improved service to recruitment advertisers and their audience.

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FINANCIAL TIMES
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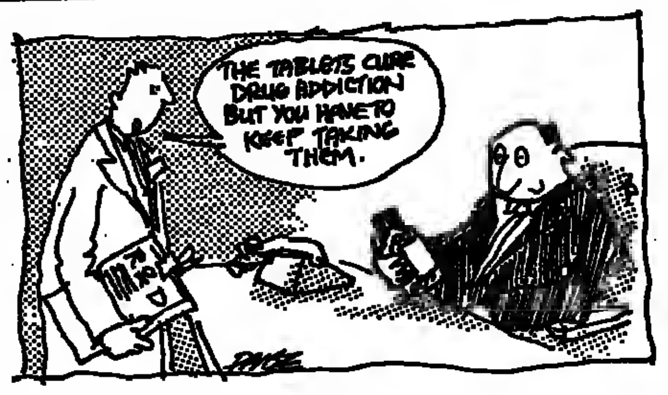
MANAGEMENT

Towards a less uncertain future

Jane Rippeteau reviews a book on innovation



REMARKABLE though it may seem, top managers of most companies fail to realise that there is a direct connection between research and development and corporate success—or the lack of it. All but a few corporate paragons, such as Procter & Gamble, IBM and Citibank, mystify the process of innovation, and fail to deal with it in the boardroom, where it belongs.

Such is the complaint of Richard Foster, a director of McKinsey & Co, the management consultancy, and for many years a strong advocate of the need to exploit technology more effectively.

In response to America's renewed concern with the basics of management, after decades of flirting with strategic planning and conglomerate-building, Foster has now developed his earlier writings on the subject into a book aimed at helping companies rebuild or sustain product strength.

In "Innovation — the Attacker's Advantage," which was published in Britain yesterday,* Foster contends that innovation is a predictable, manageable event subject to economic analysis.

Successful companies, whether they are producing nappies, orange juice, jet aircraft or banking services, understand that, he says. Instead of just waiting for the great eurekas, executives manage innovation as an organic part of their business. Their vision is one of change, that the day after tomorrow will not be the same as today. So, instead of merely fine-tuning today's products and services or investing in ever-more cost-efficient production, they spend in a calculated manner on an uncertain future.

This is where Foster's wonder weapon, the "S-curve" comes in. It is a cost-benefit analysis, charting the run of a new technology from its pricey infancy as it is conceived and developed, the revenue burst if it succeeds, and the gradual trailing off as it reaches its limits and is supplanted by the next generation that will replace it. The pattern, plotted on a graph, is shaped roughly like an "S."

The "S-curve" itself is not a new concept. But Foster attempts to unlock its long-held secret: of knowing where each product and service is on the curve, so that one can decide, for instance, when to invest in a new technology, and when to hold back on an existing one because any further input will not yield a proportionate pay-out.

One of Foster's favourite examples of an organisation which got it wrong is National Cash Register, now called NCR Corp. Around 1970, NCR spent some $140m on a spanking new line of electro-mechanical cash registers. They didn't sell.

The company had failed to recognise the market's shift to a new S-curve: electronic cash registers that were cheaper to build and easier to use. The mistake "cost thousands of workers and executives their jobs . . . and investors millions of dollars," says Foster.

One reason it is so difficult to recognise what the author calls "technological discontinuities" is because of current investments. Unfortunately, the time to start moving onto the next-generation technology is usually right at the time when the most recent invention is in the spectacular bloom of its success. It may be near its limits, with unexpected competitors about to make their debut. Today's seemingly healthy companies may actually be in peril.

Managing the start-up phase is no less trying: the process usually means removing "one impediment to find another," sorting out which of the promising new technologies to pick, and having the guts to cancel products even after substantial investment is made. IBM had such a research commitment to a new type of electronic technology, the so-called Josephson junction; its decision to stop development work on the promising new-generation circuitry surprised many.

The book raids corporate history for its examples, and the result is often enjoyable, though somewhat dated and repetitive. We hear about sailing ships, semi-conductors, and how P & G eradicated the "grey dingy look" of domestic washing with an optical illusion. Even tyre cord sounds exciting.

In the 1960s, Du Pont, with a large investment in nylon tyre cord, kept turning it out even when polyester proved superior. Celanese moved in with polyester tyre cords and took three-quarters of the market.

"Du Pont didn't lose out because it was unaware of the technical possibilities of polyester, but because it assumed that, as a corporation, it could control the pace of innovation. It couldn't," writes Foster.

Meanwhile, a new S-curve was forming across the Atlantic. Michelin developed radials, entered through the "sports car feel" segment of the market and, despite charging more, grabbed a substantial market share. Now Du Pont is back with Kevlar, and a tiny Austrian company called Lim Kunstoff Technologie has a plastic tyre; Michelin—with all assets in machines to make radials—pooh-poohs the newcomer, says Foster.

The book's emphasis on description leaves the reader somewhat wanting on the how-to side. One feels, "Okay. I go along with all this, but how do I do it? What is the secret formula?"

There isn't one, of course. The body of the book promotes a way of thinking that will help each company develop S-curve skills, but does not provide rigid formulas.

However, three appendices do give specific advice, in the form of questions. They could help a user identify imminent technical limits, assess the magnitude of a threat, and carry out an economic analysis of options.

For it to work, though, his reader must be one of the few who, in Foster's view, believes it must be done.

** MacMillan, £14.95, Summit Books, $19.95.*

FOSTER'S TEN EARLY WARNING INDICATORS

- **Is there increasing discomfort about R&D output among top management? This could be little more than an intuitive sense, but one most companies heed too little or are reluctant to admit.**
- **Have development costs and delays started increasing instead of falling? This could be misinterpreted as a loss of R&D effectiveness when in fact it signals that product improvements are becoming harder to achieve.**
- **Is more process R&D, less product R&D being carried out? This could be a sign of technological maturity.**
- **Is creativity waning? Signals could be a drop in patents applied for or new products developed.**
- **Is there disharmony and discouragement in the labs? Excitement wanes as technology matures. Foster suggests this mood can often be detected simply by strolling through R&D labs and offices.**
- **Is market segmentation becoming the key to sales increases? Playing to ever-narrower market segments indicates that "across the board" improvements are not being achieved and that the technical limits of the product are near.**
- **Are there wide differences in R and D spending among competitors with no apparent market effects? If technology is near the limit, more spending will not yield a benefit.**
- **Have there been frequent changes in R and D management with no impact. The problem may not be the person but the limitations placed on him or her.**
- **Are some leaders losing share to smaller competitors in market niches? There may be a new technical approach afoot. This could happen in pharmaceuticals, where over half the advances will come in biotechnology even though that sector gets under 10 per cent of the industry's R and D funding today.**
- **Are supposedly weaker competitors succeeding with radical approaches that everyone else says cannot work? Scoffing that a weakling's invention "is impossible" can make a big company into a little one.**

How Babcock has traded the power of its people

Alastair Guild on the UK boiler company's multi-skilling moves

Lord King: optimistic that the UK Government will soon announce a programme for building power stations

FOR Babcock Power, it could be said, the writing is on the wall. In bold black and white, the banner suspended across the front of offices at the main gate to the Renfrew plant in Scotland, says it all. "Operation 85/86. It has to work." It is a message hardly in need of reinforcement, in an area with all too many reminders of the casualties of shrinking markets and fierce international competition.

Operation 85/86 is the fifth, and most far-reaching "programme of change" agreed between management and unions at Babcock Power since 1979. As its contribution to the deal, the company would continue its £40m programme of investment in new buildings and plant. In return, the unions would have to change their working practices, without which, says the company, many of the benefits of the investment could not be realised.

What is being attempted strikes a chord across much of manufacturing industry in the UK. The picture is of management attempting to introduce different working practices at a time when economic and market forces are constantly shifting. This leads, for example, to anxiety among workers that moves towards multi-skilling will threaten the jobs of the less skilled when short-time working becomes inevitable.

Babcock Power's latest agreement is now being tested as never before as the plant continues to face an uncertain order book, particularly for its main product, large boilers for power stations. As it is, the workforce has fallen by 50 per cent over the past 10 years to just over 2,000. Production capacity was reduced by a further 20 per cent with the introduction last week of short-time working, though both union convenors and management agreed it was the only alternative to more redundancies.

The introduction of short-time working coincided, purely by chance, with a visit to Babcock Power by the Secretary of State for Scotland, Malcolm Rifkind. Both management and unions stressed the need for clarification of the government's plans for power generation to the turn of the century. They feel they have done their part to cut production costs (and production costs have fallen by 35 per cent over the past four years) and make the company more competitive. Babcock now awaits decisions to be made "as a matter of urgency, both for the company and the country" on the future of the UK power programme.

Lord King, chairman of the parent company, Babcock International, in an interim statement at the beginning of the month, was optimistic that an announcement to proceed with a programme for the construction of new power stations in the UK would soon be made.

The changes at Renfrew are indeed impressive as, one by one, the brick sheds, some of them dating from the late 1800s are replaced with giant steel-clad highly insulated fabrication shops, storage bays, advanced technology machine and assembly factories and packing bays.

Modernisation

Planning of the phased modernisation of the Renfrew works, both to increase its competitiveness and to extend the range of processes and the products it could manufacture, began in the late 1970s. The central principle was that any bay of any shop be usable for any purpose, with each semi-autonomous factory accountable for quality, delivery and costs.

In the early 1980s, £16m was invested in a new machine and assembly factory, and £4m in computing facilities, computer-aided drafting, a new central road on the site of a disused railway line and a welding development workshop.

The latest tranche of £18m was given the go-ahead last September, when the most far-reaching changes in working practices so far were agreed with all nine unions on the site, five of them manual and four staff. Part of the money has already been committed to a new office block, to replace one which had become structurally unsound, and a large computer numerically controlled horizontal boring machine. The rest is now being spent on the construction of a heavy fabrication shop and the modernisation of the tubular products factory.

According to Hamish Bickerton, Babcock Power's director of services and leader of the management negotiating team for Operation 85/86: "We would have survived as a manufacturing operation, but not at the size we are now. It was obvious to anyone that without agreement on changes to working practices the investment wouldn't have gone ahead at its present level."

The main sticking point during the 12 months of consultation and negotiations was the introduction of multi-skilling combined with inter-union flexibility. Tasks traditionally carried out as individual skills were to be performed by teams, each with all the skills required for that task. Union boundaries were not to stop employees doing work within their capability.

As employees now require more than one skill, training has been an important element of Operation 85. At any one time, 100 of the 2,300 workforce have off-the-job training, on full pay, while some are trained on the job. The company expects to spend £2.5m over two years on training.

Union convenors also found it difficult to sell the novel idea of a two-year agreement to their members in place of a traditional annual agreement. Babcock unions decided to accept two years, but only with the company guaranteeing no forced redundancies. The company insisted on a one-year guarantee, with the option to create redundancies in the second year. Both sides finally reached a compromise of an option for short-time working in the second year, an option the company is now calling up.

"We went through a lot of soul-searching before agreeing to a fixed 5 per cent pay increase in years one and two," says Jimmy Gallacher, chairman of the joint stewards committee and convenor of the Boiler Makers' Union on site. "Part of the debate was whether it should be inflation-linked. In the first year, inflation was running at between 6 and 7 per cent. In the end we recommended two 5 per cent increases. With inflation down to 2 per cent, the union leadership's judgment proved sound, but now, with short-time working and the wages of some workers falling by 30 per cent, we face problems.

"If the place was buzzing with work, there would be no difficulty in getting members to accept multiskilling and inter-union flexibility. But with some key people working full-time, and others having to accept short-time working, the old protectionist feelings re-emerge."

Bickerton believes the workforce has recognised that "any site has to have a long term viability, and that it cannot continue to run up losses indefinitely. They are a well informed workforce. We have operated an open style of management for the last five years, and they are privy to most types of commercial information. And we have kept everyone up to date with progress on the current changes through the joint union management steering committee and implementation groups set up in work areas across the site."

Redundancies

But he also recognises that the agreement will become more difficult to implement should no volume orders come through soon.

The unions say that redundancies, possibly as many as 500, are inevitable should no volume orders be received for either PWRs or coal-fired stations by early next year, when the present pay rates are due for renegotiation. These redundancies, believes Jimmy Gallacher, would reduce the workforce below the level of viable production for large boilers for power stations, and "make my job much more difficult. We have a core team here which could produce a 2,000 MW power station. But, as in many other parts of the UK manufacturing industry, a lot of the men who have disappeared in recent years are the ones with the experience which would be difficult to replace in five years' time."

FINANCIAL TIMES SURVEY
Friday September 19 1986

International Property

Frontiers are dissolving as property markets become more open to international influences. The Japanese, in particular, are rising to become a powerful force across the world

Global market evolves

By William Cochrane

INTERNATIONAL influences on the world's property markets are multiplying and strengthening. A market that used to be a collection of domestic, often parochial transactions — enlivened by the odd American incursion—is now wakening up to the realisation that cross-frontier deals are available, potentially lucrative and sometimes a healthy check on its view of itself.

The traffic used to be one-way across the Atlantic, with American trends coming to the UK and Europe. A spot check in the UK still shows a lot of US influence—a 12.5m sq ft office scheme proposed in London Docklands "Jumbo" retail parks, initiatives in the securities markets—but domestic America has been noting incursions of its own.

The American have concentrated on suburban or out-of-town shopping centres and they acknowledge that this has left them with little track record in urban retail developments. They have had plenty of those to study in Europe.

Potentially distorting trends in their office market were also seen last year in Orbit 2, a study of the office market involving UK architects and consultants DEGW. This told them the painful story of office property obsolescence which the UK market learned about in 1983, and began to act upon a couple of years later after an interval of hurt disbelief.

Dutch trade paper Vast Goed Markt said in August that Dutch professional and institutional investors in the previous 12 months had increased their investment in US and Canadian property by over 12 per cent to more than $5bn compared with $4.5bn a year earlier. This was translated into a 10 per cent decline due to the weakness of the American and Canadian dollars, but VGM acknowledged an uptrend which it said was likely to continue in 1986-87.

Japan, however, is a country to watch. The Americans said it in October 1985 when the Real Estate Research Corporation estimated, in a study prepared for the Equitable Real Estate Group that foreign investment in US real estate could reach $10bn in 1986.

Co-authors Leanne Lachman and Richard Kately said that foreign investors were active in the US for some time but were now raising their commitments. They included British, West German and Dutch institutional funds, Canadian developers and "flight capital investors," who go through the Netherlands Antilles and other tax haven countries.

However, on Japan they quoted Christopher Budden of Richard Ellis who estimated that Japanese trading, investment, construction and insurance companies were involved in transactions which committed more than $1bn to US real estate during the first seven months of 1985—and that they will be spending at a rate three times as high in 1986.

The authors had a list of reasons why the Japanese, who previously focused largely on industrial and manufacturing businesses, were going into speculative and portfolio investments. These reasons could just as easily explain Japan's investments elsewhere. They include:

- The fact that the Japanese economy boasts huge dollar surpluses earned in export trade.
- That major institutions, following Ministry of Finance liberalisation of investment regulations, are turning to "capital investment" rather than redeploying all of their earnings in industrial growth.
- That land in Japan is in very short supply and consequently very expensive.
- That land and buildings are seldom sold in Japan, so that the systematic search by Japanese life insurance companies for real estate opportunities cannot be rewarded in tha domestic market.

In June of this year Knight Frank & Rutley forecast further growth of Japanese investment activity in tha US and increasing interest in tho UK as well as other parts of Europe, Australia and South East Asia.

"It takes the form of a progressive encircling of the globe heading, quite aptly, in the general direction of tha rising sun," said Mr Paul Mitchell, partner in charge of KFR's Japanese dopartment.

The proposition has been taken up, with much enthusiasm, by punters in Hong Kong, Australia, and in the UK property share market, now that enthusiasm for shares in high-priced UK predator companies has subsided a little.

Those who take notice of such things will not find it too hard to combino them with developments in tha Pacific Basin. In June, Hongkong Land Property, a major landlord of prime office space in the colony, predicted prime office occupancy rates in Hong Kong were going to stay high in the medium term.

The company released, at the same time, o new report which said that the colony's occupation costs are the lowest of all the world's principal financial centres—and, for good measure, ranked Hong Kong 41st in a cost of living survey of which Tokyo came top.

In Australia, there has been a combination of avents which could attract foreign property investors—those with nerve, at any rate. The Australian dollar has been unstabla and a declining currency; the end of July saw the introduction of now guidelines for foreign investment in property which virtually removed previous restrictions; and in August there was political acceptance that the sub-continent was in deep economic trouble.

Perversely, the attractions of real estate stand out at a time like this. Mr Rod Samut, a partner of Hillier Parker based in Brisbane, commented after the liberalisation of the investment rules that high yields, favourable exchange rates and the relaxation of the Foreign Investment Review Board guidelines would heighten foreign interest in Australian real estate.

In Continental Europe, the shift in developer interest from Northern European countries such as France, Germany and Belgium to the Mediterranean Basin is still in prospect, judging from the International Council of Shopping Centres conference et the Hagua in mid-April, where Italian delegates, particularly, asked a lot of questions.

But the most intriguing property story in Europe, if it is not in Britain with its battla between in-town and out-of-town locations, is probably in Paris. There the battla between similar protagonists seems to be going into the third or fourth round.

Healey and Baker's Nicholas Knowland has set out a scenario whare property investment interest may be switching back to shopping centres.

Mr Knowland lists the achievements of tho major UK investor, Norwich Union. Its first centre in Le Mans is fully let three months before completion and it has a second city-centre development under construction in Grenoble, for which H & B have a pre-let to anchor tonant La Redoute. It has e third major iron in the fire with a major forward funding for an extension of a shopping centre in the Paris suburbs in the pipeline.

"If their position in the UK is anything to go by, Norwich may well lead the field into a new geoeration of retail investment in France," says Mr Knowland.

Back in Britain, tho foreign investor is also a good talking point. Richard Ellis's Staphen Hubbard thinks that overseas investors have, in tha past, viewed the UK market with suspicion as they have seen e varied structure of yields, and complex landlord and tenant legislation. Yields have also been viewed with suspicion whon compared with other competing centres.

However, be says, the spotlight is now increasingly on tho UK and, more specifically, Central London, where the continued rental growth "now looks attractive" when compared with the spasmodic performance of other world centres such as New York and San Francisco.

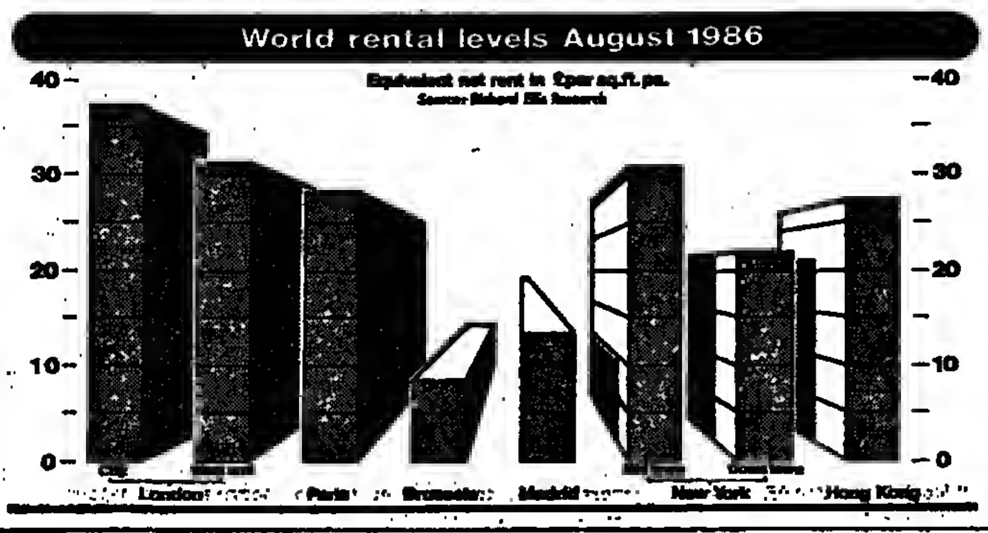
It is not just central London. The London Docklands Development Corporation reminds us that there is always international money available for a good investment anomaly — in this case a huge area of former dereliction next door to tho City of London, which still boasts the highest accommodation costs in the world.

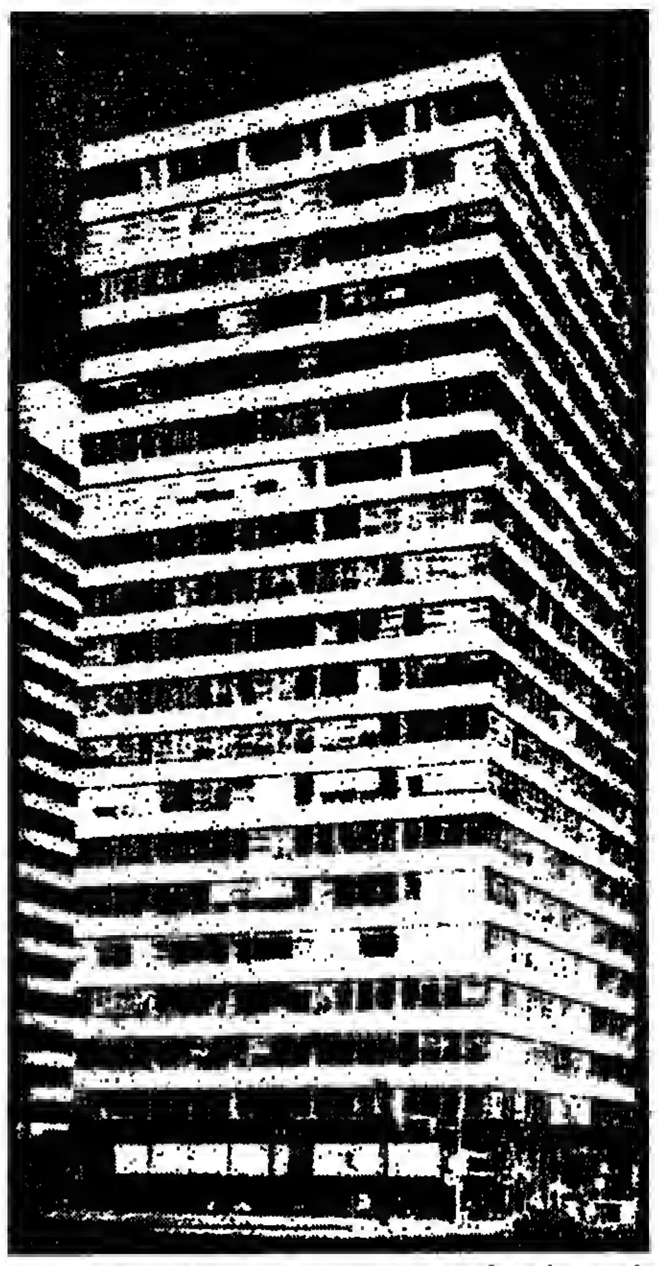
Tho LDDC mentions Middle East money — the Kuwaitis at London Bridge City and the Americans at Canary Wharf. But investment has also come from Holland, in the shape of VOM's London Yard residential development and interest in a large part of the Royal Docks. Scandinavia is represented by the Trado Centre being built io West India Dock, and plans are well advanced for a Chinese business and cultural centre on a seven-acre site at Poplar Dock.

"By the end of this year, wo expect also to have major interests from the Far East and Japan," says Alan Wightman, of the LDDC. "It is to be boped that the UK institutions will not delay much longor in following the lead of foreign investors in recognising the long-torm growth potontial of Docklands.

"The opportunities which now exist in the Royal Docks will not be around for ever."

World rental levels August 1986





Overseas interest in US property remains strong. A Dutch pension fund client of Richard Ellis has just paid more than $60m for Two Penn Centre, a 500,000 sq ft office complex in Philadelphia's business district

The UK

Big Bang attraction

FOREIGN involvement in the UK commercial property market has increased dramatically in recent years. No one should dismiss the European efforts, like the Ukrainian family bid for a 5m-sq-ft leisure/shopping centre in the West Midlands and the Dutch fund Rodamco's takeover of Haslemere; but it is the Americans and Japanese who are really making the headlines.

In June J. P. Morgan, the fifth largest US banking group, made a bid said to be close to £90m for the City of London Schools site, south of Fleet Street on the western fringes of the City of London.

Morgan's comments suggested that it was making an expensive response to the Big Bang (the deregulation of London's securities markets) scheduled for October.

"We are planning facilities which will provide the high technological environment, large trading floors and operating flexibility necessary to participate fully in London in the new global financial market place," said Mr Lewis T. Preston, chairman of Morgan's board of directors.

Morgan's plans are dwarfed by Canary Wharf. On this site, in the Isle of Dogs enterprise zone to the east of the City, an American consortium consisting of architect/developer G. Were Travelstead, First Boston Real Estate, Credit Suisse First Boston and Morgan Stanley International is looking at development costs of £2.7bn for a 12.5m-sq-ft office scheme.

This development reflected the partners' view that the then-conservative proposals of the City of London Corporation would not give them the space they wanted, where and when they wanted it. Credit Suisse and Morgan Stanley are committed to taking some 850,000 sq ft of Canary Wharf between them.

The Corporation responded by revising its draft City plan and schemes involving large-scale development around the banking and insurance core area are now moving ahead rapidly.

The Japanese, who seem to be everywhere this year, are especially active in London. A neat-looking deal illustrating the wide-ranging Japanese involvement was struck recently at St Martins le Grand, just north of St Paul's Cathedral.

The story goes back to October last year when developer Julian Markham, put his Glengate Holdings into partnership with Kumagai of Japan to redevelop the former Bourne & Hollingsworth department store in Oxford Street in London's West End.

The scheme aims to transform B & H into a £75m, fashion-led specialist shopping centre. At that time the Japanese were seen to be invading major US cities for their property investments and Mr Markham was congratulated for pulling off a major coup.

Then last December Mr Markham and his Japanese partners snatched one of the City of London's plum development sites from under the noses of some of the UK's biggest and brightest property groups by paying £43m for the former Post Office headquarters at St Martins le Grand.

Kumagai Gumi UK has gone on from there, buying the freeholds of 41, 51 and 55 Bishopsgate in the City, with the Canadian Imperial Bank of Commerce. KG's strategy is to establish a portfolio of first-class investments in the United Kingdom.

More recently, Glengate and Kumagai Gumi said they had sold the Post Office development at St Martins le Grand to Nomura, also Japanese, and the world's largest securities dealer. Nomura, too, was looking forward to the Big Bang, talking about a space requirement of 1.25m sq ft or more.

The partners said after news of this deal that they would be announcing shortly a third joint venture, a smaller retail project outside London.

Kumagai Gumi is among the top 20 civil engineering and construction companies in the world, and the largest in Japan in terms of income from operations and net income. It has a network of 19 branches and subsidiaries active in 16 countries throughout the world. The original business was started in 1938 with civil engineering but has since branched out into architecture, real estate and development, manufacture and sales of related equipment and technologies.

It has been pursuing an aggressive overseas construction and investment programme, particularly in Australia, south-east Asia and the west coast of the US. In Peking it is building a shopping centre and an hotel. The company's total sales are expected to reach $3bn this year and overseas contracting now accounts for over 40 per cent of group revenue.

By example and by direct involvement, the Americans are also deeply committed to the evolution of the UK property securities market.

In June of this year Goldman Sachs International, the American-owned investment bank, and UK merchant bankers Baring Brothers joined to devise a scheme for the flotation of Montagu House, the blue-glass, 185,000 sq ft office building erected *alongside* the old Billingsgate market building in the City of London by S. & W. Berisford and London & Edinburgh Trust.

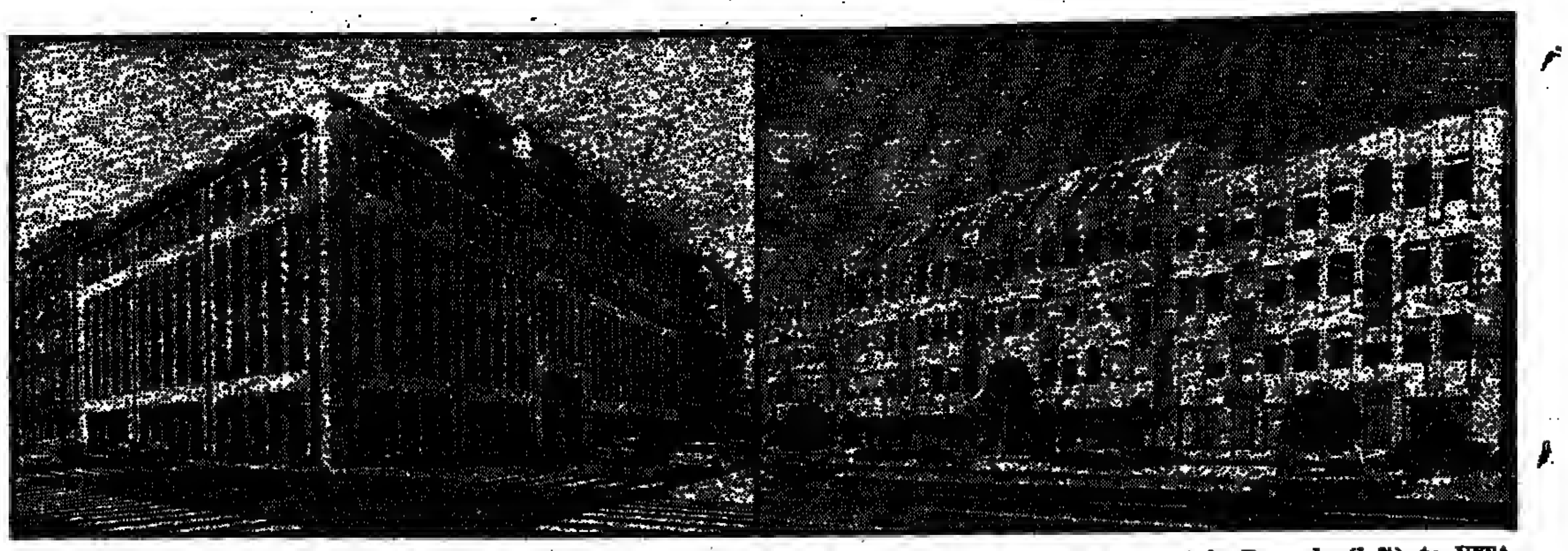
The UK investment and property communities have been deliberating for some time on how to put high-priced investment property in front of a wider investing public. The "Billingsgate float" went ahead and did it, employing a combination of deep discount bond and equity components familiar in New York, which is slightly ahead of the London game.

Speaking at the Profex conference on property investment soon afterwards, Baring Brothers director Patrick Heineger said that the team was very pleased with the demand it got for the bonds and shares. *They* believe that there are up to a dozen further prospects which could come to the market in a similar way.

It bears saying that Japanese involvement has to reflect the economic sense of investing anywhere abroad at the moment, in reasonable prospect of a safe home for its money. Also some Americans might be easily diverted. Their domestic office market is in a state of glut with a national average vacancy rate calculated at 18.3 per cent.

However Britain, and especially London, has characteristics to recommend it like high value, high demand and absorption of space, and European leadership in the construction of new office buildings.

William Cochrane



CODIC, the Belgian subsidiary of UK company Dixons sold its 7,400 sq metre Rue Moutoyer development in Brussels (left) to VITA Insurance for more than BF 600m. Local developer BURCO pre-sold its 3,800 sq metre block in Boulevard de la Woluwe to a French insurance group, Urbaine UAP for BF 200m, pre-let to Colgate for BF 4,250 per sq metre.

Rest of Europe

Tenant comfort for third generation

THE RECOVERY in the Brussels office market, the incursion of UK retailers into Continental town centres and development / investments in French shopping centres are among the prime topics in the European property markets this year.

Brussels has been described as an *"amazing market"* by Mr Michael Bamber, e European director of agents Richard Ellis, who says that sizeable chunks of office space in Europe's capital city are in short supply for the first time in years.

Some 10m sq ft of a total city office stock of 64m sq ft was left hanging on the market in the mid-1970s. This has worked itself out and Mr Bamber sees an emphasis on tenant comfort and low charges as major characteristics of the new, third generation of Brussels office developments.

Ellis has traced the progression of prime Quartier Leopold rents in the city since 1968, which shows that they peaked in 1973 at BFr 3,750 e sq metre and then took another 10 years to get back to that level.

Last year, however, they shot up from BFr 3,750 to BFr 4,600 a sq m. Ellis's latest, July report put the current rent at BFr 5,000, an increase over the past six years of 67 per cent and, says that rents of up to BFr 6,500 are expected by developers of prime accommodation on completion.

Codic, — the Belgium property development subsidiary of the Dixons Group — is active in the market but it is not going overboard yet about its prospects. It noted recently that the Brussels office market was *showing "some signs of recovery"* after 10 years of oversupply.

"From a developers' point of view and against this background, the market still has to be approached cautiously," it said.

Codic'e view was that even with the recent rental growth, rents for new space, at the equivalent of £7 per sq ft leave little room for e development profit unless land is bought at a realistic price, building costs are tightly controlled and rent voids are virtually non-existent.

The company says that choice of location is paramount. Within the right locations, it says, there is now a scarcity of sites which can be bought at a viable price or will obtain the necessary consents. "This is tending to lead to a shortage of new space, potentially fuelling rental growth," it concludes.

From Frankfurt, Mr Chris Bull-Diamond of Weetherall Green & Smith produced a report in which he was optimistic about the general prospects of the West German property market, and intrigued by the incursions of foreign retailers into major city centres.

"For the retailers who can identify a successful concept, the rewards in the German market are substantial," he said. "Benetton, for instance, started up their German operations some years before moving into the UK and are now established with the Benetton, 012, Tomato and Mercuria names all over the country."

Benetton were followed by many other groups but the trend in the younger fashion market is away from the Italian infinence toward the "all-American" look.

"At the npper end of the market the spending power of the German population is continuing to attract interest from well-known names, inclnding leading designer firms from France and Italy," he said.

"Ameng those who have either established themselves in the market place or have extended their presence in the recent past are such names as Laura Ashley, Burberrys, Louis Vuitton, Charles Jourdan, Cartier, Christofle, Gianni Versace Chanel and various others although a number of these outlets have been taken on a franchise basis."

All this, of course, is at the margin. But it is a margin which is very important for the property market, as city centres, faced with competition from ont of town, try to bold their appeal with the shopping public.

In France Mr Nicholas Knowland, resident director of Healey & Baker, in Paris, says town centre retailers bave been protected since 1978 under the "Loi Royer" which effectively balted new major shopping development caused by tight regional and national planning controls.

In the late 1960s and early 1970s, before such controls there was a rapid expansion of out-of-town hypermarket and superstore chains as well as development of major shopping centres in greenfield sites, similar to American developments, with major department stores or hypermarkets as anchor tenants.

Strong competition often led to overdevelopment on a rapid scale which drained city centres of their prosperity. However, the controls helped to turn the tide. Healey & Baker have belped retailers back to the city centres and advised new international incomes such as Boots, Habitat and Marks & Spencer to expand in Paris and the French provinces.

But is the tide going to turn yet again? "It has been mooted *in both the previous Socialist* government and in the government under Giscard that the protection given to retailers is disproportionate, and ultimately a deterrent to investors, to the multiples looking to expand and indeed to the consumer who can only benefit from retail competition," Mr Knowland says.

"It has not yet been clearly announced by the present government if the current legislation is to be edjusted, and this may be a delicate subject before the next presidential elections."

It seems as if e pot is beginning to simmer. Mr Knowland also notes that the French National Council of Shopping Centres has instructed Healey & Baker formally to analyse the performance of shopping centre investment.

"A full report is dne to be published in spring next year," he says. "But from evidence received so far there is every reason to believe that good shopping centres with turnover rents are undervalued and that the French institutional market may quickly wake np to the fact that they represent consistent growth and excellent diversification for their portfolios."

William Cochrane

Hong Kong

Japanese gossip is electrifying

JUST AS talks of Arab buyers set London's property market alight a decade sgo, so the gossip electrifying Hong Kong's property sector at present is that Japanese buyers are poised to move in.

A Japanese company called GGS has acquired two development properties on the edge of Hong Kong's central business district. The hotels subsidiary for All-Nippon Airways is said to be negotiating to build e hotel near Central. And most dramatically, e group called Sun Enterprises has this month paid about HK$900m for a prime site in Kowloon.

Sun Enterprises is thought to be *fronting for a Japanese company*, and the purchase, from Sally Aw Sian's Scilla group, comes just months after Scilla won a fiercely contested auction over the right to develop the site.

The emergence of Japanese buying interest is underpinned by a strong yen strangling property prices in Japan, and the need to accommodate the growing Japanese business community using Hong Kong as a springboard for trade with China. It is one of a number of bullish factors that have in recent months buoyed confidence in the territory's property sector.

From these varied signals, cautious optimism over the local market seems justified

Local property shares have, needless to say, surged ahead, playing a major part in lifting local stock market prices to record levels. Japanese buyers aside, falling local interest rates *have encouraged many of Hong* Kong's middle class Chinese *families to buy their own* homes, while a steady influx of *expatriate companies* is fuelling the demand for prime office space.

Set against these encouraging signs is the fact that demand for industrial property remains flat, as local manufacturers remain relnctant to commit funds to fresh investment, and foreign manufacturing investment remains small.

The hotel market also seems to be coming to the end of a bonanza during which occupancy levels averaged close to 90 per cent for the whole year. The recent completion of a number of luxury hotels, combined with e decline in tourism and shorter average stop-overs, is likely to push down occupancy levels over the next three years, and puncture hotel profits.

No-one is forecasting a slump of the scale being witnessed in Singapore, but the buoyancy of the past three years is almost *certainly on the ebb*.

From these varied signals, cautious *optimism* over the local property market seems *justified. There is no evidence* of the euphoria that preceded the property crash of 1982. Instead, the market appears stable, and well underpinned.

Hong Kong's office sector showed strong growth in 1985, according to the government's annual property review. Vacancy rates in Central fell to 11.1 per cent, the lowest since 1982, and have fallen even further in 1986. At the same time, rents have begun to rise. Leading property developers claimed a 20 per cent increase last year, with average net levels reaching HK$20 per sq ft.

In parallel with this improvement, a number of developments *outside the district have* begun to dilnte the monopoly *of prime space* held by Central. The completion in 1988 of the Bank of China beadquarters equidistant between Central and the Victoria Barracks site will give momentum to this trend, as will the completion next year of the Admiralty III site east of Central.

Whether the Japanese are coming or not, the mood remains quietly confident.

The completion of the Island line of Hong Kong's mass transit railway is at the same time transforming the territory *from* a series of nuclear business and residential communities into a series of linear ones. Already, the railway has played a critical part in opening up Tsim Sha Tsui, the area on Kowloon's waterfront that faces *Central on* Hong Kong Island.

Prime office space is expected to grow by more than 800 per cent over the current decade, *transforming* what was until 1980 a virtual no-go area for expatriate businessmen.

It is always possible in e politically volatile place like Hong Kong that upsets can overturn what seems an uncharacteristically firm and stable property deal. Even if upsets occur, the local convictioo seems to be that they cannot compare with the political and economic turbulence between 1982 and 1984, when Britain and China negotiated Hong Kong'e passage to Chinese sovereignty in 1997.

Whether the Japanese are coming or not, the mood therefore remains quietly confident.

David Dodwell

The US

East rebounds as Sunbelt hits problems

LIKE SO much of the US economy, the property market has passed from a mood of strongly reviving confidence to one in which the outlook is less certain.

The first half of the year brought plunging interest rates, and expectations that tumbling oil prices would inspire a widespread revival in US business and industry. Housing markets rose strongly, the eastern states continued to expand vigorously, and even the battered oil and farming states began to see some sign of recovery.

All these factors remain, but the outlook for interest rates and for the economy is more problematical. The oil price slump has hurt many sectors of the US without bringing the boom in industrial property.

In the hardest-hit of the oil states, the burden imposed by heavy overbuilding in the late-1970s is still there. The Reagan administration's plans to overhaul the tax system would have significant impact on the shelters which have driven the more speculative markets ahead — and not before time in the view of more conservative property investors.

However, the first effects of a cooler economic climate are probably having a beneficial result on a market that showed clear signs of overheating, according to Mr Gerald Parkes, managing director of the US division of property consultants Richard Ellis. There are signs of a slackening in office property vacancy rates, which had soared to 16 per cent for prime and as much as 24 per cent for secondary properties in some areas.

Overbuilding had been the market's response in the early 1980s, to unsophisticated buying from some savings and loans (S & L) groups and from tax sheltered private investors. The easy money taps have now been turned down, as the S & Ls find themselves facing a less sympathetic Federal Reserve. Tax shelter investors, already facing substantial losses on ventures in the oil states, sense the hardening political attitudes.

Whatever the outcome of Washington's tax-overhaul plans, it seems unlikely that the tax shelter business will survive unscathed for long.

As property loans have become less easy to find, so the yield pattern has moved back towards its traditional shape. Secondary properties are now required to offer yields of about two basis points above prime properties. Twelve months ago, a one basis point differential was enough.

Geographically, the past year has seen some traditional values restored, as well as further development of some of the newer, high-growth sectors. Property developers have prospered best in those states and cities where local economies are most diverse. The single industry states, be the base in oil or high technology, have often paid the penalty as local industry has stalled and the rush of property building in the late 1970s has fallen on empty hands.

Best of all have been the states which have moved away from traditional manufacturing industry and towards the new service-orientated industries. The eastern states, once in danger of being outpaced by the Sunbelt states, have bounced back vigorously. The growth of the financial services industry, now moving into a global dimension, has startingly revived the attractions not only of New York, but now of Boston and Philadephia.

The established infrastructure of these older cities, once seen as a possible liability, has proved an increasing attraction to the financial institutions which are the prime customers for commercial property.

In mid-town Manhattan, the world's largest market for office space, the surge of new construction in the South Street Seaport, Third Avenue, Lexington and Park Avenue areas, have all found ready buyers or renters. In spite of nearly 5m sq ft of new and renovated space in mid-Manhattan last year, vacancy rates are low and asking rates of $45 per sq ft—or $60 for prime sites—are readily met.

Growth in Boston has been equally spectacular, spurred on by the city's strong position in the financial services industry, backed up by its role as an international medical centre and now a prominent research and development and high technology base. There has been a substantial increase in new or renovated office property both in the Downtown and Back Bay areas, but this flow will be reduced between 1987 and 1989.

This reduction should enable the property market to brush off any sluggishness in the local computer industry and to continue to respond to the vigorous growth of the financial services business area.

The rebound of the eastern states has coincided with a reappraisal of the once high-flying Sunbelt cities. The problems of some areas, notably the oil states and the mid-western farming states, have gone from bad to desperate and still show little sign of moderating. But the picture is a mixed one, with the more sophisticated local economies weathering the storm better than those which relied too heavily on a single industry.

California has remained very strong, with its diverse industry base taking in aerospace, technology, financial services and agriculture offering a variety of hedges against misfortune. While the local energy industries and even Silicon Valley have had their well-publicised problems, other areas have done well.

Californian farming, based on supplying vegetables and fruit to eastern US, has fared much better than the traditional farm belt, which is linked to world grain markets. And the state's position as the entry for the Pacific rim economies has fuelled an upsurge in the financial services markets.

The brightest spot of the California market is Los Angeles, already the second largest conurbation in the US and swiftly replacing San Francisco as the west coast financial centre. Yet, in spite of an economic base ranging through manufacturing, trade and service sectors, the city is still well supplied with available property and a tenants' market prevails in many areas.

About 86m sq ft of office accommodation exists, with a further 4.6m sq ft under construction or available. Richard Ellis estimates that vacancy rates were as high as 17 per cent earlier this year, when 12-month rent holidays were offered to new tenants.

But the picture is still gloomy in the Texas or Colorado energy districts. Houston, which was wildly overbuilt in the boom days, still has an excess of property that could take five years to clear, even if the oil industry recovers. Vacancies in class A office accommodation reached 24 per cent in 1985.

The trough has been reached but the merger trend in the oil industry is now throwing more spare space onto the markets.

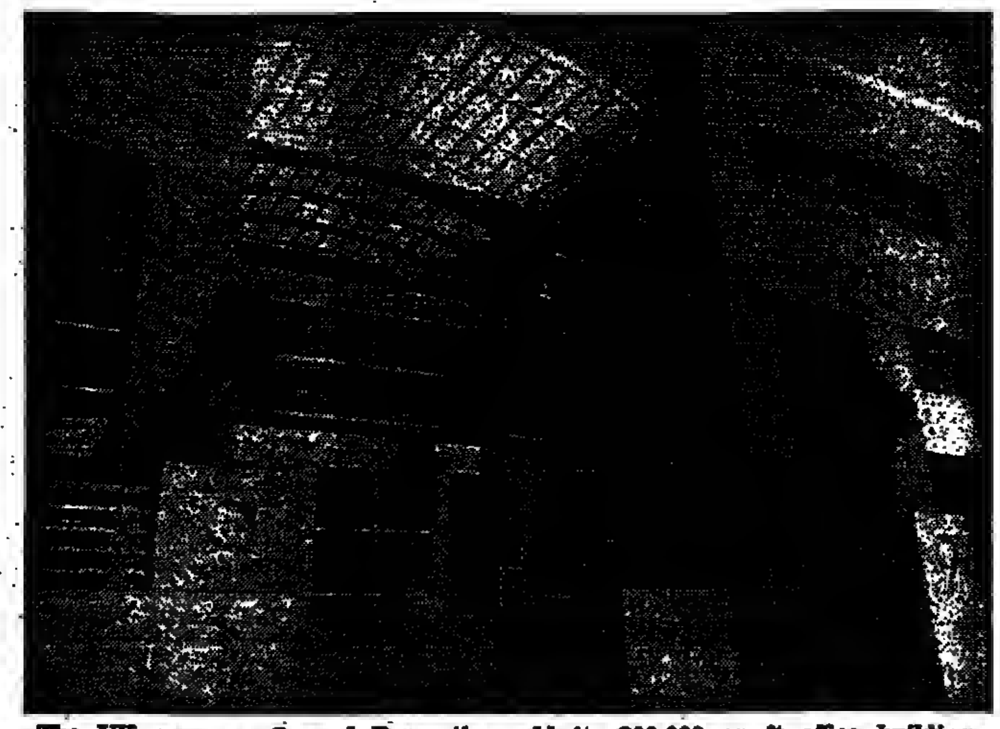
Much the same could be said of Denver, where new construction has ceased in the central business district to allow absorption of the cumulative weight of overbuilding.

But elsewhere in the energy states, fortunes have turned for the better. Dallas, bolstered by its role as a financial centre, is the scene of heavy property leasing activity. But new construction is still heavy and it may be some time yet before the glut is cleared.

For the near term, it seems that property investors will have to continue taking a cautious view of the Sunbelt states. With the US economy still sluggish, any recovery in the heavily overbuilt areas of the energy states must remain suspect.

But there are plenty of bright spots in the Sunbelt. Florida continues to attract residential buyers and has avoided the worst aspects of some past property booms. Los Angeles leads a buoyant Californian market, and still racing ahead are the eastern seaboard areas which are attracting foreign and domestic investors.

Terry Byland



The UK company Samuel Properties sold its 200,000 sq ft office building, developed with Sears Holdings, next to Los Angeles airport for $37.5m to the Japanese Shuwa Corporation. The space was pre-let to Hughes Aircraft of the US.

Australia

Obstacle course cleared

THE ONLY sound louder than the Australian dollar crashing this summer came from a frightened Government breaking down the obstacle course that had been so carefully built to restrict foreign investors. Some in the real estate sector were not sure whether to laugh or cry; a weaker dollar meant lower returns, but sweeping reductions in controls could open up dramatic opportunities for expansion.

It was the increasingly common fault of worrying too much about current income flows from property investments that brought on the tears. Share prices of many foreign companies heavily involved in Australian real estate dipped in line with the country's dollar. But they revived quickly when the raised prospects for long-term growth sank in.

As part of a wide-ranging list of reforms to limit the flight of capital overseas and bring new money into the country, the Government abolished the need for commercial developments worth more than A$10m and service projects such as hotels to have at least 50 per cent Australian ownership. It also raised the embargo on foreign investment in completed buildings, although such deals must still be split down the middle with a local partner.

"The changes will dramatically open up the urban property markets in the major cities to foreign investors, particularly from Asia," say Australian agents Richard Stanton.

The weak dollar might hit existing investors' income but it will make property seem that much cheaper to the outside buyer—and a good long-term bet considering that commodity prices and the Australian economy are bound to revive reasonably soon, according to most analysts.

"The worst should be over," says Mr Frank Charnock, senior partner of Jones Lang Wootton in Australia. The harsh economic policies were a relief to investors now that long-standing problems of declining exports and inflation were being recognised and dealt with, he says.

Relaxation of investment controls should appeal to the British, who had been so active back in the 1960s, although he does not foresee a sudden surge of foreign funds until the overall economic situation improves and newcomers have spent a couple of years testing and learning about the markets.

The Japanese may not be so reticent. While the UK and US have traditionally provided the bulk of outside investment over the years, a study by Baillieu Knight Frank (BKF) shows that the tide of interest has been rising from Australia's closer neighbour. Japan provided only around 1 per cent of the country's direct real estate investment from overseas in 1984-85 but this had risen to 13 per cent the following year, not counting development or purchase of hotels, resorts or financial buildings such as banks.

Even under the old restrictive rules, companies such as Kumagai Gumi have become a powerful force through joint ventures with Australian companies. In only four years the Japanese group has built up more than A$1bn worth of business and some 20 per cent of its $5bn annual turnover is estimated by BKF to come from Australia.

Activities stretch well beyond Kumagai's main role as a construction contractor, taking in equity participation, financial broking and technical advice. It is a pattern repeated around the world as Japanese companies stifled by limited opportunities in their home markets chase overseas investments, mainly in joint ventures which link their money with local market expertise.

Kajima, the largest Japanese construction group, for instance, has linked with Costain Australia for the first stage of the A$300m Melbourne Riverside Quay development. It will acquire 50 per cent of the A$65m twin office tower first phase.

"Many Japanese companies see Australia as a long-term investment, with its mature economy, relatively cheap land prices and high initial yields," says Baillieu Knight Frank.

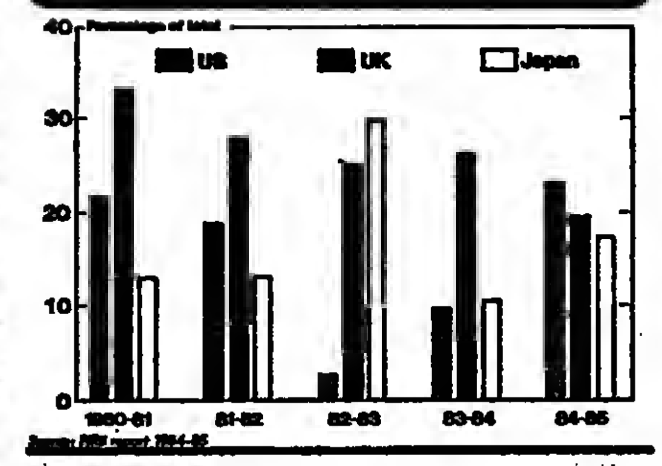
Growth in Japanese tourism and Japanese banks in Australia have also provided a catalyst for investment. But BKF expects the deregulation of Japanese pension funds' overseas investment to give an even bigger boost for Australian real estate under the country's own relaxed controls.

Private Asian investors also have a yen for big city property, particularly with yields of between 6 and 9 per cent for office deals and 8.75 to 10 per cent for industry in Sydney being quoted by Richard Stanton. The opportunities seem to be available, too, as institutions divest themselves of smaller properties. Stanton says it has sold more than 40 buildings worth more than A$220m for one life insurance company.

Sydney has been particularly active in the last couple of years as banks have crowded in and top rents have reached A$500 net per sq metre according to Jones Lang Wootton. Vacancy levels are also low in all the main cities, although Sydney has a big supply in the pipeline.

David Lawson

Foreign investment inflow to Australian enterprises



Impresario of the shopping centres

JEAN-LOUIS SOLAL is president of Société des Centres Commerciaux, a company specialising in the development, leasing and management of shopping centres. SCC created the shopping centre concept in France with Parly 2 in 1969.

The company has designed many shopping centres including the innovative Madrid 2 centre, which turned the urban shopping centre design concept inside-out. It shared the 1984 International Council of Shopping Centres award for design and shopping centre development at the ICSC's European conference in West Berlin.

It has won many other awards, which may help to explain Mr Solal's effect on people: some treat him like an impresario while others mutter with resentment.

The first group may have just cause for their approach. In Berlin, in 1984, an appreciative audience saw a Capital & Counties team, led by Ian Northen, put up a polished and witty performance with the appropriate video show to celebrate C & C's sharing of the ICSC reward for its Ridings centre in Wakefield.

When the applause died down the small, lonely figure of Jean-Louis Solal took the stage—no team, no video show. Some of us felt sorry for him.

Mr Solal needed no sympathy. He milked it for all he was worth, describing each phase of the Madrid 2 development, and at the end of each, calling the team *member* responsible on stage to be embraced, congratulated—and applauded, again and again. It was a moment of pure theatre.

Profile

Jean-Louis Solal

A doyen of ICSC, Mr Solal took his team to Madrid for the 1985 European conference where they attempted a five-hour dissection of Madrid 2. The concept was laudable, paying tribute to the conference venue and giving more depth to the development. But it was a marathon, even for this conference—where the delegates actually go to the conference, listen to the papers, and talk about them afterwards.

Some may have resented the time it all took. If they did, they were not listening to Mr Solal, who was scathing about himself and his team when he talked about the years when they were earning their spurs in the international property development business.

"We found out the hard way" why property development is not often an international business he said. "Over the years we demonstrated no expertise, no foresight, no sensitivity in our abortive international expansion plans for the 1970s.

"I began by saying 'where there is a will, there is a way;' later it became 'when there is a bill, I am away'."

He can be crushing. At Madrid one lunchtime, Mr Julian Markham of Glengate was holding forth on the risks of retail warehousing: "I'm not keen on retail warehouse complexes as a long-term investment," he said. "They could be a good thing for maybe five years and then fall out of fashion."

Mr Solal had a development of this type in northern Paris. "We give the market what it wants, not what we think it ought to want," was the gist of his polite reply. In private, later, he said: "We don't claim to be prophets, but this was a warehouse when we got it and, at worst, it could always become a warehouse again."

Both men were in friendly form this year at the Hague ICSC conference, where Mr Markham was president and Mr Solal, as always, was a power behind the scenes.

SCC's converted warehouse surfaced later in 1985 heralded as the first off-price mall in Europe. (Off-price means fashionable goods sold cheaply to a mainly middle-class clientele, in no-nonsense surroundings.)

Mr Solal converted 97,000 sq ft gross (76,000 sq ft net) of an old Au Printemps warehouse at 8, Quai Le Chatelier on the Ile Saint Denis, 5½ km northwest of the centre of Paris, to a centre with 45 retail units, 400 car parking places plus an adjacent 250, with catering facilities.

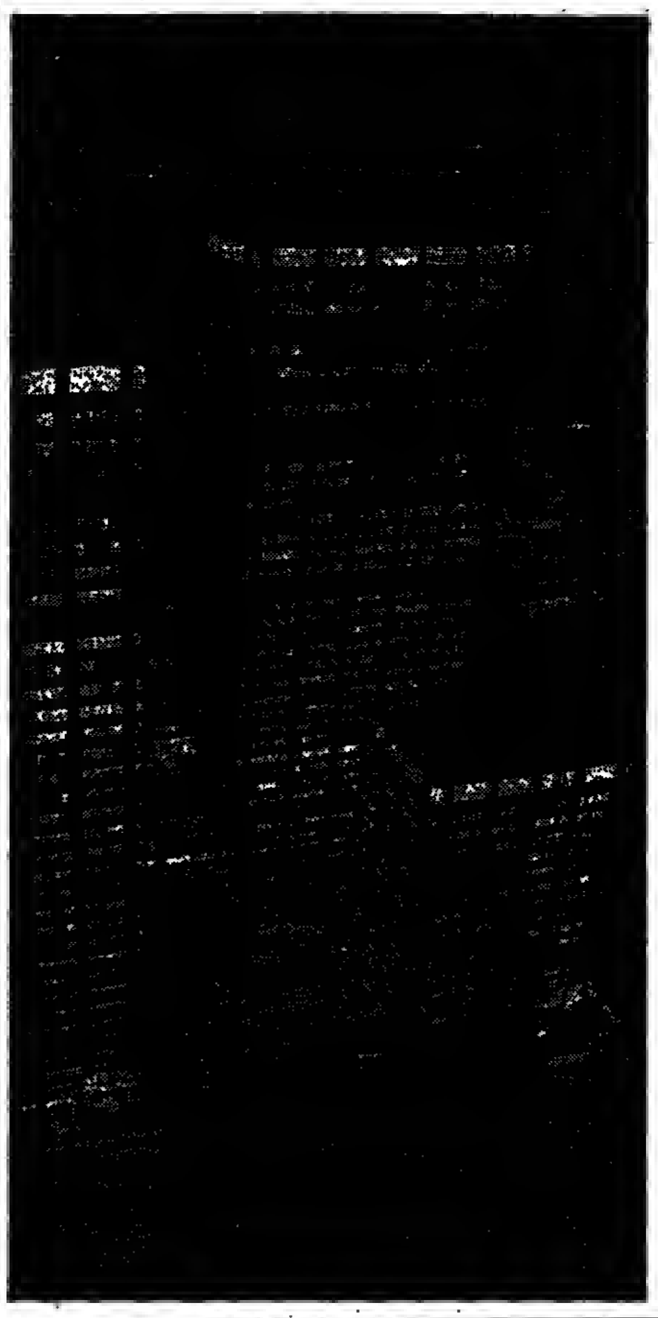
Tenants included the high-fashion Fiorucci (calling itself Fio Stock), L'Entrepot du Sport, Group Andre (shoes, high fashion to basic quality), Cargo Bazaar (oriental housewares), Capucine Puerari (high-fashion lingerie) and Socoupe Volante (porcelain).

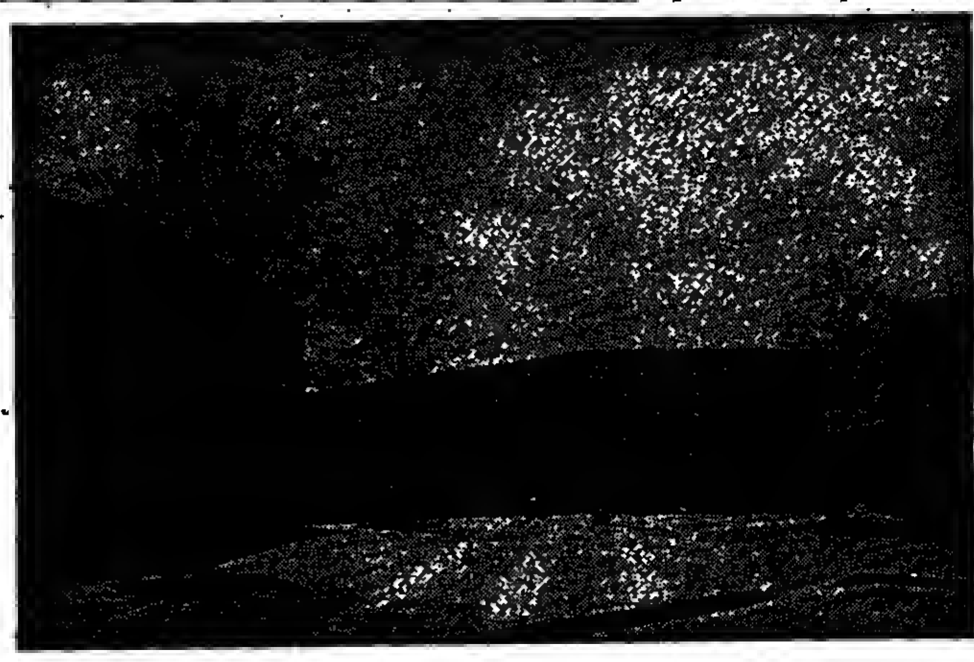
The centre has been a clear success and Mr Solal was last heard of planning a bigger, better version at Massy, south of Paris. However this, he has been careful to say, is a shopping centre of the fringe, not the mainstream, where shopping for pleasure is most definitely "in."

He put it this way, introducing the Hague conference: "The age of functionalism is gone; the Bauhaus aesthetics are gone. It's impossible to have a shopping centre with one roof and four walls and make it pay.

"What we want in Europe is less a shopping centre than a covered urban street—a celebration of life."

William Cochrane





Hammerson group's 1.5m sq ft Bow Valley Square in Calgary, Canada (above), and Slough Estates' $6m high-tech development in San Diego, in the US, indicate UK interest in transatlantic development.

Currency shifts bite

HAMMERSON Property Investment and Development, the third largest property company in the UK in terms of market worth, is one of its most international, with less than two-fifths of its £1.51bn portfolio in its home country.

However, wild fluctuations in currencies over the last year have led to the shares being rather dull performers in spite of the emphasis on high quality shopping centres and city centre office blocks. Net asset values dropped 110p a share to end 1985 at 558p—and this in a year in which a net addition of £148m was made to the investment land bank.

The changes between 1984, when the portfolio was valued at £1.56bn, and last year reflect the impact of currencies as much as shifts in the group's strategy. At the end of 1985, some 37 per cent of the group's investment and development properties (£557m) were in the UK compared with 33 per cent in 1984 (£511m).

Canada was the next largest national element with 31 per cent (£468m) against £561m (36 per cent). Australia and New Zealand accounted for 16 per cent (£243m) against 20 per cent (£312m) and the US some 12 per cent (£191m) against 10 per cent (£167m).

The strategic change that has taken place is reflected in the growth of the smallest regional component — Continental Europe — which has risen more than sixfold in value to £55m from £9m and now accounts for 4 per cent of the total.

A large part of this European increase came last September when Hammerson spent £31m on the ICI Pension Fund's Paris collection. While the shares-for-pensioners as 5 per cent stakeholders in the group there were several analysts who thought the French buy was a "bit of a mixed bag" ranging from a two-acre warehouse at Les Mardelles to an elegant 280-year-old building in the Place Vendome.

Profile

Hammerson

In Germany the hunt is on for further acquisitions following the acquisition of 74,000 sq ft of retail space in Cologne, according to Mr Sidney Mason, Hammerson's executive chairman.

Stores in Essen and Bremen were acquired in July for £30m from Hertie, one of the country's leading retailers, which is selling properties now that it is mainly owned by a charity.

The spread of rental and property trading income further indicates the depredations of currencies. Canada was the largest single source of income with the total reaching £51.95m (a 11.1 per cent return) thanks to the contribution of the Rank City Wall portfolio. The UK had a combined income of £48.3m (an 8.7 per cent return on the portfolio) compared with £33.47m (6.5 per cent) in the previous year.

The Antipodean return was 7.4 per cent (£18.1m) *against* more than 8 per cent previously. In the US the income figure was £13.56m (7.1 per cent) against £14.6m (8.75 per cent).

For property analysts such as Mr Selwyn Jones of Rowe & Pitman Mullen, "the investment portfolio offers substantial reversionary potential." Many of the group's provincial shopping centres in the UK are ageing and due for modernisation and rent reviews are due on several prime London sites.

Warning signs, however, are the increased rate of capitalised interest — payments — up to £23.6m from £18.9m — and the rising overheads connected with managing the investment portfolio. Net rental income was virtually unchanged in 1985 over 1984 because of the 30 per cent leap in outgoings, Mr Jones says.

Hammerson has made progress in reducing debt levels. The total was down from £522m to £459m by December 31 and the ratio of short-term (within five years) was reduced even more. Net debt was the equivalent to 28 per cent of assets, and to fund the £102m capital spending plans for this year the group became in May the first property company to announce plans to tap the commercial paper market, aiming for £100m.

In terms of major ongoing projects, Hammerson has a C$34m renovation project at Square One, Mississauga, Canada; a major shopping complex and office block in Los Angeles; plus the River Plate and Dominant House schemes for the City of London.

This year Mr Jones is expecting Hammerson to produce £47.5m of pre-tax profits which a fall in interest payments *should help.* "*The strong* underlying performance of the well-located, good quality investment portfolio in 1985 should continue in the current year—assuming exchange rates remain stable, this will translate into above average asset growth."

Terry Povey

Slumbering giant roused to action

Profile

Rodamco

ONCE A slumbering giant among property investment funds, Rodamco has roused itself into action this year. In March the Dutch investment trust pounced on Haslemere Estates, the UK developer, increasing its assets by nearly half to about Fl 3bn. Now Rodamco is considering a significant expansion in the Far East in a bid to fully round out the *geographical spread of its portfolio.*

Before absorbing Haslemere, Rodamco had about 45 per cent of its assets in the US, 52 per cent in Europe and a modest 3 per cent in the Pacific Basin. The surprise takeover has weighted the portfolio too much toward Britain, which now accounts for about 40 per cent of the investment portfolio. That share gradually will be trimmed back to 25 per cent by selling some of Haslemere's properties.

"A good international spread across the strongest open economies is our major long-term strategy, while financing in local currencies may also offer protection," Rodamco told shareholders in July. The geographical balance is aimed at reducing economic, political and currency risks.

Based in Rotterdam, Rodamco invests directly in commercial property and to a minor extent in other real estate funds. Most investments are in offices and shopping centres in large cities of developed countries, particularly those with a well developed property market. The *real estate fund is only one of* the handful of investment trusts comprising the US$6bn Robeco Group.

Baron Van Slingelandt, managing director of Rodamco, says the fund is considering investing in Sydney office buildings. A sum of Fl 150m, or about 8 per cent of the investment portfolio, is under consideration.

The plunging Australian *dollar has enhanced* the appeal of the already attractive property. The Sydney real estate market is considered quite professional, rents are fully *linked to inflation* and the vacancy rate is low.

But Baron van Slingelandt admits that Rodamco is "more than concerned" about the troubled Australian economy, which has been battered by years of depressed commodity prices. The balance of payments deficit has widened and the country recently had its international credit rating reduced.

Regardless of the decision on Sydney, Rodamco will continue to look at Tokyo and Singapore. Rodamco already has gained some experience in the Pacific basin through its small shareholdings in other real estate funds: Schroder Darling of Australia; Mitsubishi Estate of Japan; and Singapore Land of Singapore.

The Dutch fund insist that it wants direct control over any new properties in the Far East because the countries are so complex and individualistic. "Japan is very difficult to enter and Singapore is overbuilt so *it is not easy to find property,*" notes Baron Van Slingelandt. Rodamco has said it would consider a joint venture with a local Japanese investor because prime property is rarely sold to foreigners.

Improving the geographical spread was also the motivation for the dramatic takeover of Haslemere, but the strategy differed from the Far East. The thinking was to initially acquire a small stake to test the water in a market as competitive as London. If this proved successful then the stake would be enlarged.

Rodamco is looking carefully at the Haslemere portfolio to determine what to sell. The large size of the portfolio, about 200 properties, has made this a slow process.

Baron Van Slingelandt indicated that the most likely candidates for disposal would be outside London or on the periphery. "The city is booming," he says.

The UK company's reputation for refurbishing of older buildings fits in well with Rodamco's activities. *Redeveloping* outdated buildings in West Germany has proven successful for Rodamco and more upgrading is planned for the US.

Negotiations are going on in both countries to acquire fresh property, probably including older buildings. Offices and shops seem likely targets in an effort to keep the current balance roughly the same: 54 per cent offices, 41 per cent shops and 6 per cent industrial property.

Although Haslemer drained much of Rodamco's liquid assets, plenty of funds are continuing to roll in from Ro-Totaal, a new basket fund covering all of Robeco's other trusts. Ro-Totaal's assets have soared since its introduction last January and 25 per cent of these go to Rodamco. Some disinvestment in the UK and the US will also provide fresh funds.

Greater geographical spread, however, also carries the risk of currency fluctuations. During the fiscal year ending June, for example, the plunging US dollar limited the rise in total investments to 4 per cent (Fl 1.661bn). The revaluation reserve fell by Fl 25m in 1985-86 compared with a Fl 104m rise in the previous year.

But despite the weak dollar, Rodamco still expects net asset value to climb again this year after spurting 14 per cent to Fl 2.22bn last year.

Like the other investment trusts in the Robeco Group, Rodamco keeps its share price continuously in line with net asset value by issuing new shares and buying back old ones in line with demand.

Laura Raun

TECHNOLOGY

Watch that gets message across

Terry Dodsworth, Industrial Editor, looks at how US system could revolutionise paging

YOU ARE a widget manufacturer in New York and you have just sent your best salesman to Los Angeles to clinch an important deal. Only an hour or so before he is due to see the customer, you dig up information that you are sure will give him the edge in the negotiations. But he has already left his hotel room and you have no idea of how to contact him.

This kind of problem could be solved if a new and revolutionary paging service now being developed with the help of Plessey, the UK electronics company, gets underway as planned.

You would call a special number and ask the operator to put out a radio message to your salesman. The message would be transmited in the appropriate area. Your salesman would hear an urgent beep on his wristwatch and switch on a display mechanism. He would then read a message on the watch face telling him to call you—and if he did as he was told, the order would presumably be yours.

The concept of the "pager" wristwatch is deceptively simple. AT & E Laboratories, a three-year-old Californian company, has devised a system that will allow subscribers to send out messages to anywhere in the US. The wristwatch has been chosen as the device to pick up the signals because it is an instrument which is carried automatically by almost everyone.

AT & E's novel idea for achieving blanket coverage of the US is to transmit over a portion of the FM radio waveband that is not employed by local radio stations. An operator in the pager system who has received a message from a subscriber will be able to put it out as a radio transmission in the area where the person wearing the target wristwatch is based. If the wristwatch owner moves around — say from New York to Los Angeles — all he has to do to continue to receive messages is to inform the system so that the operator knows in which area to transmit.

AT & E, which is quoted on the NASDAQ over-the-counter stock exchange in the US, and is backed by private and institutional investors on both sides of the Atlantic, says that it has already demonstrated the technical feasibility of the project.

It has also begun to sign up local FM radio companies to the system in the US, and is shortly expected to choose two watch companies—one in Japan and another in Switzerland—to make the wristwatches. Theoretically, if the service catches on in the US, where AT & E is aiming for a launch in early 1988, it could be expanded to anywhere in the world.

The key to making the system simple to use is the wristwatch receiver. Wristwatches, as one of the participants in the project observed, are virtually universal commodities, put on in the morning by most people before their clothing. Entry into the system, therefore, could scarcely be easier, and the new device will continue to perform normal watch functions—indeed, it will have an additional feature in that it will automatically adjust for changing time zones via information transmitted along with the messages.

Achievement of the miniaturisation of the electronic components going into the watches is the responsibility of Plessey, which has signed a $750,000 development contract with AT & E for work on the two integrated circuits which form the heart of the "receptor" wristwatch.

Plessey's design entails an aerial in the wristband of the watch—a device which will be sufficiently long to pick up the signals—and a bipolar circuit for receiving the messages. The second chip is a decoder and synthesiser which controls the watch and presents the messages.

Plessey turned to bipolar circuitry, says Mr Brian Hyde of Plessey Semiconductors, because of a technology it has developed for on-chip reception using a device called gyrator filters. This approach allows a reduction in the number of external components to virtually nil, effectively providing e single chip radio receiver which can operate at very low currents.

The second chip, proprietary to AT & E, uses CMOS technology to decode the radio signals, filtering out unnecessary noise to extract the essential information.

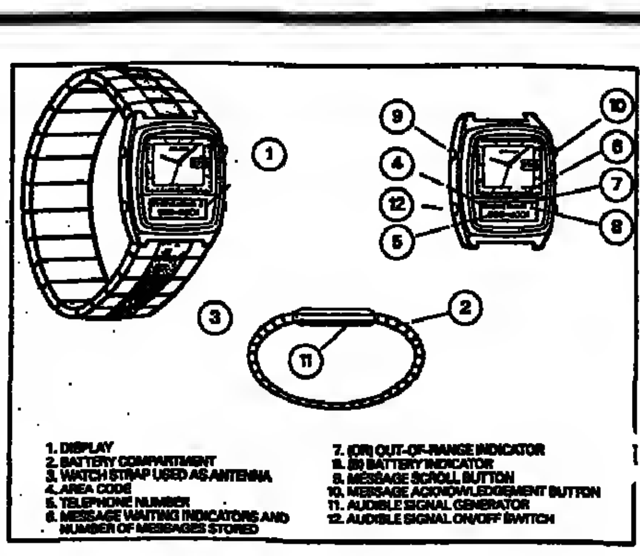
The chip designs, says Plessey, will mean that the watches will be no larger than standard electronic wristwatches, while battery life should be at least a year and possibly much more. To help prolong battery strength, the watches will be programmed to "power up" every six or seven minutes to scan very briefly for a message. The rest of the time the receiving mechanism will be switched off, saving energy.

The watches will not have the capacity for receiving long messages. Present plans envisage a display of about ten characters in length that can be scrolled around to give a read out of up to around 24 characters. Messages will therefore have to be simple, requesting the wearer, for instance, to call the office or contact someone. There will be a storage capacity for up to ten transmissions.

For the time being, neither AT & E nor Plessey is making a firm forecast of the market for the receptor system. But they are both clearly hopeful that it will catch a leading position in the paging market, end to begin with the device is being aimed at the professional market which already supports steadily rising demand for paging products.

Even in the initial stages, however, prices are not expected to be at a level that will turn the system into an exclusive tool of wealthy companies.

It is likely that the watches will be leased, probably at a charge of around $200 a year, with a cost per call of about 25 cents. If they start at that level, and if the market catches on to a degree that allows prices to be reduced in the normal fashion for electronic devices, there is no reason why Mum should not be using the receptors to call little Jim into dinner in a few years' time.



Simple safety for new Audi 80

By John Griffiths

PROCON-TEN might sound like a capsule for reducing cold symptoms. But its purpose is actually to save lives.

Even Dr Wolfgang Habbel, chairman of the management board of West German car manufacturer Audi, the upmarket sister company of Volkswagen, is not too happy about the name, and has been offering prizes within the company to anyone who can come up with something more graphic or illustrative.

But he is certainly happy about the system itself, which is being offered as an optional fitment on the new Audi 80 saloon car range shortly to go on sale throughout Europe.

For once, electronics are not involved. Instead, it is an entirely mechanical system which, unlike "primary" systems such as anti-skid braking or four-wheel-drive, comes into play when an accident has become unavoidable.

The acronym stands for programmed contraction-tension.

As the diagram shows, it operates via three strainless steel cables. One end of the main cable is connected to the telescopic steering column, loops forward round the gearbox, and is then attached to the body monococque. The other two cables follow the same route as the main cable from the body attachment point—but are then connected to the retractors of the inertia reel front seatbelts.

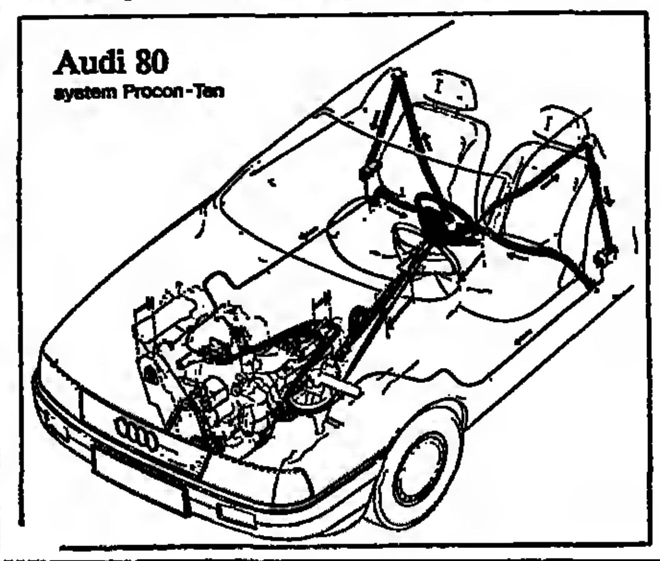
The result is an entirely mechanical, virtually fail-safe system of "why didn't I think of that?" simplicity. It is intended to reduce head injuries.

In a severe frontal crash, involving impact at 25 kph upwards, the engine/transmission unit is pushed back into the body. With the gearbox mounting acting like a capstan, the cables are pulled to the rear, and those attached to seat belts and steering columns are yanked forward. Thus the seat belts are tensioned, instead of merely locked under inertia, and forward movement of the body is greatly reduced. The possibility of the driver or passenger "submarining" beneath his/her seatbelt is also all but eliminated.

At the same time, the steering wheel assembly is retracted out of likely contact with the driver.

Audi says it developed the system after it became clear that as a result of seatbelts and other safety systems reducing accidents overall, head injuries sustained through severe frontal impacts were accounting for a larger proportion of injury statistics.

The system is not to be fitted as standard to the new Audi 80 range. It will be an option on all models, at a cost in West Germany of around DM 300. Its price in other markets has yet to be fixed.



Philips widens scope of US joint venture

WORTH WATCHING

Edited by Geoff Charlish

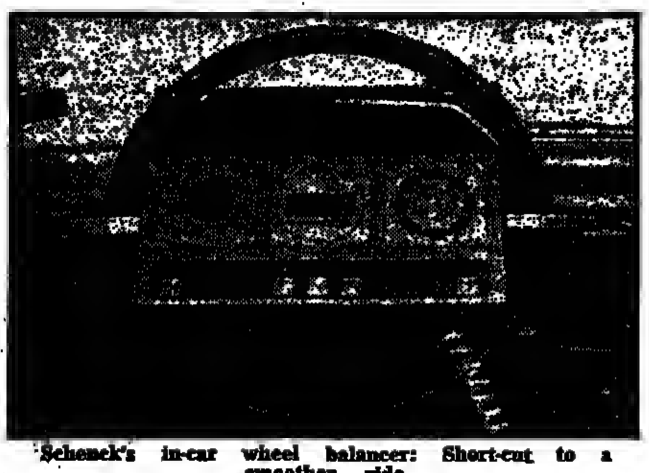
PHILIPS of the Netherlands and Control Data Corporation (CDC) of the US, which already operate a joint venture called Optical Storage International (OSI) to market optical disks and associated equipment, have widened the venture to embrace magnetic storage as well.

A new company, Laser Magnetic Storage International (LMS), encompasses the OSI business in Colorado Springs and the CD-ROM (compact disk read only memory) activity of Philips, as well as operations of CDC's magnetic tape subsidiary, Computer Peripherals, in the US. LMS is 51 per cent owned by Philips, 49 per cent by CDC.

ENGINEERING PLASTICS will continue to displace metals, particularly in the automotive industries, according to Frost and Sullivan, the London/New York market research company.

F & S believes the market will rise from $2.58bn in 1985 to $2.72bn this year and will increase by nearly 50 per cent by 1990.

The European Market for Engineering Plastics, $2,400, Frost and Sullivan, New York (212 233 1080) and London (01-730 3438).



Schenck's in-car wheel balancer: Short-cut to a smoother ride.

CONDENSATION IN buildings; or whether it is about to occur, can be determined quickly and easily with a hand-held instrument from Protimeter of Marlow, Bucks, UK (06284 72722).

Called the Condensator, the unit, with its integral sensor held against the surface to be tested, will instantly compare the dew-point temperature (a measure of the amount of moisture in the air) with the temperature of the surface. It then calculates whether or not condensation is taking place (thus distinguishing the surface's condition from, say, rising damp).

Quicker route to a better balanced car

WHEEL BALANCING becomes simpler and quicker and can be carried out at the driving wheel in the jacked-up car using a new system from West German company Schenck. The system is available in the UK from Technical Marketing Services, Southampton (0602 785698).

The front axles are lowered on to supports that are equipped with sensors that measure speed and out of balance forces. The sensors are cable connected to a display board that clips over the steering wheel and is powered from the cigar lighter. The wheels are driven by the car's engine.

After quickly calibrating the system using a simple knob adjustment and a display, a second display shows what weight is to be added to each wheel and where round the 360 degree periphery it should be placed. The system costs £1,994.

FACTORY LINKS between McDonnell Douglas's computer-aided design systems and programmable co-ordinate measuring machines (CMM) from various manufacturers have been announced by the US-based company.

With the measurement and motional data of the CMM fed into and therefore known by the software database of McDonnell Douglas's Unigraphics II CAD software, the user can generate and simulate co-ordinate measurement programmes that will directly control the actions of the CMM for a specific inspection job.

THE ARTS

Arts Week

F	S	Su	M	Tu	W	Th
19	20	21	22	23	24	25

Music

LONDON

London Symphony Orchestra and Chorus conducted by Richard Hickox. Brahms, Kodaly and Rossini. Barbican Hall (Tue). (638 8891).

Academy of St Martin-in-the-Fields conducted by Sir Neville Marriner with Margaret Marshall, soprano, Carolyn Watkinson, mezzo-soprano, Robert Tear, tenor and Benjamin Luxon, bass. Tippett. Royal Festival Hall (Tue). (928 3191).

Philharmonia Orchestra conducted by Giuseppe Sinopoli. Mahler 6. Royal Festival Hall (Wed).

London Symphony Orchestra conducted by Christopher Adey with Malcolm Binns, piano. Dukas, Tchaikovsky, Rimsky-Korsakov and Sibelius. Barbican Hall (Wed).

London Symphony Orchestra conducted by Maxim Shostakovich with Lynn Harrell, cello. Shostakovich. Barbican Hall (Thur).

PARIS

Anne Stella Stick: piano. Schumann, Villa Lobos, Gershwin (Mon). Salle Gaveau (4563 2030).

Israeli Philharmonic Orchestra conducted by Leonard Bernstein, Sheri Greenawald, soprano: Bernstein, Foss, Dvořák (Mon), Salle Pleyel (4561 0630).

Paul Kuentz Orchestra: Vivaldi, Telemann, Mozart, Albinoni, Barber (Tue). Saint-Severin Church (4633 8761).

Orchestre de Paris conducted by Daniel Barenboim, The Orchestra de Paris' choir conducted by Arthur Oldham to celebrate the choir's 10th anniversary: Beethoven's 9th Symphony (Wed, Thur). Salle Pleyel (4563 0796).

WEST GERMANY

Berlin, Philharmonie: Munich Philharmonic Orchestra, conducted by Sergiu Celibidache. Bruckner (Wed).

ITALY

Milan: Teatro alla Scala: Arrau, piano. Liszt. (80 91 26). (Tue).

Milan: Stabilimento Ansaldo (Via Tortona, 58): Beethoven and Francaix given by the chamber music section of La Scala Orchestra (Tue) (80 91 26).

Milan: *Duomo di Milano:* Beethoven's Missa Solemnis conducted by Carlo Maria Giulini, with the soprano Barbar Hendricks, contralto to Anne Sjevano, tenor Josef Protschka and bass Robert Holl on Wed. (On Thurs at Teatro alla Scala). (80 91 26).

NETHERLANDS

Amsterdam, Concertgebouw. Antoni Ros-Marba conducting the Netherlands Philharmonic, with Maria Tipo, piano. Honegger, Mozart, Haydn, Ravel (Tue). The Philip Glass Ensemble (Wed). (71 83 45).

Rotterdam, De Doelen. The Rotterdam Philharmonic under James Conlon, with Frans Helmerson, cello. Dvořák, Britten, Ravel (Thur). (414 29 11).

VIENNA

Marita Viitasalo, piano. Sibelius, Beethoven, Debussy. Musikverein Brahms Saal. (Tue).

Peter Planyavsky, organ. Scheidt, Mendelssohn, Schmidt, Planyavsky. St Stephan Cathedral. (Wed).

NEW YORK

New York Philharmonic (Avery Fisher Hall): Zubin Mehta conducting, Itzhak Perlman violin. Corigliano, Bartok, Brahms (Tue); Zubin Mehta conducting, Andre Watts piano. Husa, Schubert, Liszt (Thur). Lincoln Center (874 2424).

Merkin Hall (Goodman House): I Cantori of New York. Works by Richard Brooks and James D. Wagoner (Mon); Barbara Long violin recital with Albert Lotto piano. Beethoven, Prokoviev, Brahms, Falla (Tue); Goliard Concerts. Patricia Handy conducting, James Blanton tenor. Schütz, Schubert, Stravinsky. 67th w. of Broadway (362 8719).

CHICAGO

Chicago Symphony (Orchestral Hall): Sir Georg Solti conducting. Jessye Norman soprano, Ann Murray mezzo-soprano, Anthony Rolfe Johnson tenor, Hans Sotin bass, and Chicago Symphony Chorus directed by Margaret Hillis. All-Beethoven programme (Wed, Thur). (235 8111).

TOKYO

Bamberger Symphoniker, conducted by Horst Stein. Mendelssohn, Mozart, Brahms, Hitomi Memorial Hall. Showa Women's College, Sangenjaya (Mon). (262 7141).

NHK Symphony Orchestra. Conductor: Wolfgang Sawallisch, soloist Bernd Weikl, Mozart, R. Strauss, Schumann. NHK Hall. (Wed, Thur). (465 1780).

The State Leningrad Philharmonic Orchestra, conducted by Evgeny Mravinsky. Shostakovich, Tchaikovsky. Hitomi Memorial Hall, Showa Women's College. Sangenjaya. (Thur). (295 1661).

Theatre

TOKYO

Romeo and Juliet (in Japanese), an important new production directed by internationally known Kabuki female impersonator, Tamasaburo Bando, starring Hiroyuki Sanada and others. Sunshine Theatre, Ikebukuro (987 5281).

NEW YORK

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T.S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

I'm Not Rappaport (Booth): The Tony's best play of 1986 won on the strength of its word-of-mouth popularity for the two oldsters on Central Park benches who bicker uproariously about life past, present and future, with a funny plot to match. (239 6200).

Big River (O'Neill): Roger Miller's music rescues this sedentary version of Huck Finn's adventures down the Mississippi, which walked off with many 1985 Tony awards almost by default. (246 0220).

CHICAGO

Pump Boys and Dinettes (Apollo Center): Facetious look at country music and down-home country life with a good beat and some memorable songs, especially one played on kitchen utensils has proved to be a durable Chicago hit. (935 6100).

LONDON

La Cage Aux Folles (Palladium): George Hearn a welcome star alongside Denis Quilley in the transvestite show for all the family. Weak second act, less than vintage Jerry Herman score. The show has not travelled well from Broadway. (437 7373 (CC) 734 8961).

Dalliance (Lyttelton): Tom Stoppard's new version of Schnitzler's Liebelei is a crushing disappointment only partly redeemed by Brenda Blethyn as the ruined working girl. A theatricalised travesty of the work adds to the confusion of middle-aged actors playing boyish dragoons in Peter Wood's numbingly respectable production. (928 2252).

Lend Me A Tenor (Globe): Fresh and inventive operatic farce by new American author Ken Ludwig set in Cleveland, Ohio in 1934. Dennis Lawson and Jan Francis lead an energetic company in mistaken identity romp, while Verdi's Otello carries on regardless. (437 1592)

When We Are Married (Whitehall): Matchless comic playing from an all star cast to Priestley's comic warhorse about silver wedding anniversaries undermined by an inconvenient revelation. Bill Fraser is a drunken Falstaffian photographer and the couples are led by Timothy West and Prunella Scales. The 1930 theatre has been beautifully renovated. (930 7765).

Noises Off (Savoy): The funniest play for years in London, now with an improved third act. Michael Blakemore's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (836 8888).

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. (836 8108).

Continued on Page 21

NEW YORK FILM FESTIVAL

The 24th New York Film Festival will have 26 films ranging from Sid and Nancy by British director Alex Cox to No End, Polish director Krzysztof Kieslowski's view of life under martial law. Bertrand Tavernier's Round Midnight provides an elegy to the jazz era and Denys Arcand's French-Canadian feature The Decline of the American Empire takes the battleground of the war between the sexes. The festival's first Taiwanese entry is A Time to Live and a Time to Die, Hou Hsiao-hsien's autobiographical look at teenage alienation from tradition.

Two retrospectives will be William Wyler's 1936 feature, Dodsworth, and Erich von Stroheim's The Wedding March, part of the subtle shift that is seeing more American films in a festival once considered the prime introduction of new European directors to America.

Hollywood studios new value premiering at the festival, with Jim Jarmusch's Down by Law opening the event on Sept 19 and Francis Ford Coppola's Peggy Sue Got Married ending it on Oct. 5. Alice Tully Hall, Lincoln Center. (362 1911).

Frank Lipsius

THE ARTS

Cinema/Nigel Andrews

Curious folly of rocky horror films

Captive directed by Paul Mayersberg
Dust directed by Marion Hansel
A Fine Mess directed by Blake Edwards
F/X directed by Robert Mandel
Poltergeist II directed by Brian Gibson

In a week storming us with strange follies, none is stranger than *Captive*. And certainly none more of a folly.

This meditation on terrorism, vaguely inspired by the Patti Hearst story, marks the writing-directing debut of Paul Mayersberg, who scripted Roeg's *Eureka*. In a fantasy-Gothic English castle dwells bearded Oliver Reed and his beautiful daughter Irina Brook. One day a gang of obscurely motivated terrorists with foreign accents kidnap the girl. "People are going to think eet is poleetical," says their leader "D" (Xavier Deluc).

And indeed they are. The perplexed Ollie and the equally perplexed police go about assuming it is the Red Brigade, or the Greens, or the neo-Baader-Meinhofs or what ever. And their perplexity increases when no conventional ransom demand is made.

In fact the terrorists are none of these. As they torture and brainwash Miss B — by such picturesque methods as locking her in a crate, funnelling water down her throat or hanging her upside down with exposed breasts — we gradually realise what they are: an ambitious writer-director's device.

Mayersberg is out to show how a father-dominated girl uses the lucky misfortune of falling into the hands of another kind of domination to break free of her fears altogether. We know this is Mayersberg's intention because he tells us it is in the Press hand-out. "In a way it's a fairy tale," he says, "the little girl locked away in a tower who undergoes a shocking experience and changes as a result of that."

The broad plan of the movie is clear. What is not clear is why the details are so wildly and visibly unconvincing: all the way from Miss Brook's own acting-by-numbers performance (she has learned no notable thespian skills from her director father Peter) to dialogue full of portentous maxims. "Never judge a face by its mask," says one of the terrorist. Says another: "A bourgeois is anyone who's afraid of losing their place in the queue" (not to mention their command of English grammar).

Meanwhile the air is thick with Puccini, as bits of *Madam Butterfly* remind us of that female fritillary who had hidden strengths. And whenever things get slack, Mayersberg throws in a fantasy sequence or someone in a harlequin suit or another bit of outré bondage.

If the British cinema must die, perhaps this is as colourful a way to go as any. Mayersberg has a rioting, gay runaway, imagination. But masterpieces are only born when the imagination at full bent is guided by the reins of form and style. Winning horses must have winning jockeys.

★

Folly time continues with *Dust*. Here again there are no reins in sight, as Belgian director Marion Hansel jumps bareback onto J. M. Coetzee's Booker Prize-winning novel *In The Heart Of The Country* and rides off on an eccentric spree of conflicting styles.

Here is Jane Birkin marooned in the simmering South African *veldt* with Dad (Trevor Howard). Here is the tale of Miss B's emotional crack-up, as her taciturn father ignores her and prefers to lavish his attentions on a young black servant (Nadia Uwampa). And here are murder, rape and mental crisis following in momentous, if not swift, succession.

Director Hansel has a fine eye for *tableaux* barely *vivants*. Birkin framed against dusty terracotta walls or Howard sitting on the verandah, surly, plump, inert, like some gross *batrachian*. And sometimes a flurry of expressionism disturbs the long days: eyeblink freeze-frames, or fantasy glimpses of murder by Birkin as she sees herself axing Pa to death.

But eventually the alternation between Beckettian stillness and sudden psychodrama eruptions takes on an absurdist rhythm. It becomes impossible to go on believing in these batty people in their terminal farmstead. And impossible not to giggle when the dialogue occasionally heaves out of the customary silence to swat us with lines like "You filthy coward! You dirty Hottentot!" (heroine to black girl's vengeful husband) or "I cannot carry on with these idiot dialogues" (Birkin again — but of course she does).

★

Better the ambitious misfire, however, than the failed potboiler. Peter Ustinov once described a character he played, the Cockney crook in *Topkapi*, as someone who aimed low and missed. It is exactly thus with the week's Hollywood offerings: *A Fine Mess*, *F/X* and *Poltergeist 2*.

A Fine Mess is a Blake Edwards comedy about two pals (Ted Danson and Howie Mandell) who stumble on a horse-doping plot and attempt to foil it. "Doping" is a euphemism for the process actually used to improve the horse's performance—the insertion of a high-power suppository. And "comedy" is a euphemism for the film. Packed with ill-timed slapstick, charmless performances, bits of blue humour and witless dialogue. Edward's self-described tribute to Laurel and Hardy (hence the title) bears painfully little similarity to thet august double act.

F/X — Hollywoodspeak for "Special Effects"—has Australian actor Bryan Brown as a stuntman and effects wizard hired to use his movie expertise to fake a murder. The hero's experience on such films as "Song of the Succubus" and "I Dismember Mama" will be invaluable to the two gents from the Justice Department (Cliff De Young and Mason Adams); they want to pretend-murder a top Mafia boss who has turned state's witness.

The two hirers duly get what they paid for; the special *FX* are fine. It is the plot that is pathetic. That and Robert Mandel's direction, which staggers dimly and routinely through the multiplying double and treble crosses, as if he were making a pilot for a TV series everyone had given up hope of being made.

Which leaves *Poltergeist 2*. And I shall leave *Poltergeist 2*. Why distress you further with tales of audience-stupefying scripts and things that go flop in the night? Stay with your *fond memories of Poltergeist 1*.

Irina Brook (centre) is brainwashed by Hiro Ahai and Corinne Dacla in Captive

Shireen Shah, Brian Hall, Brenda Bruce and Mona Hammond

Alastair Muir

Ask for the Moon/Hampstead

Michael Coveney

On one side of the stage sit three mid-19th century lacemakers in bonnets and aprons, hobbing on their laps. On the other, a present-day sweatshop churns out blazers and skirts from clumsy modern patterns as the old employee Lil is locked in argument with the West Indian Carlie, mother of six, who wants to organise the workforce.

The two worlds are linked by a discussion of pride in work. The lacemakers unravel a bridal veil, one of them draping it ecstatically above her like a canopy. Their work is exact and artistic, periwinkles and birds threaded through the fine spum material. Today, even the pride in seersucker and velvet work has gone, the bosses are just as unreasonable and the foreman Eugene reduces old Lil's rate before fring her. Lil is the grand-daughter of the lacemaker Fanny who refuses to abandon her sickly child.

One trouble with Shirley Gee's play, at the Hampstead Theatre, is that you never know where you are. Are the lacemakers in Nottingham, the sweatshop in London? The bricks of an old barn elide with the grey boxes of the factory floor, but a tinkling musical motif does not bind the action sufficiently to compensate for the inert juxtaposition of unspecified locations.

There is an evasive texture about John Dove's production until Brenda Bruce as Lil moves up a gear. British work plays about putting up tents, preparing meals and producing newspapers have a new and no less compelling stable mate in the rag trade. The sound and sight of two Singer sewing machines going like the clappers is for a time a novelty. And when Lil is "tested" for competence in the humiliating race to sew six red skirts, you feel for Miss Bruce's hands, scurrying around under the drilling needle.

The best scenes, though, are the final showdowns between Lil and Mona Hammond's impetuous Carlie, the women going for each other's jugulars and subsiding into a poignant farewell after Lil has been sacked. Miss Bruce, tough, gravelly-voiced and formidable, cuts the buttons from her coat and executes a strip to her slip in a passage of great pathos, defiance and dignity.

The play sets out to preach resistance to bad working conditions for women but cannot quite crack the historical alignment and stage metaphor it has invented. Miss Bruce wonders where all her life has gone and, not before time, Brian Harris's lighting brings all the women into overlapping conjunction. The intentions, good and pure though they be, are translated into arch, often laboured, expression and a furrow-browed, studied concern.

Michael Clark/Sadler's Wells

Clement Crisp

In an age of graffiti there is little very surprising in the sort of angry scrawls that Michael Clark choreographically daubs. That the writing appears low-down on the artistic wall and is largely confined to the more brutish monosyllables is unsurprising. Over the past few years Mr Clark has gained a reputation as a child of his time, an easily recognisable symbol of mocking and disorientated youth. The darling of the colour magazines, the hapless subject of a television documentary of numbing fatuity seen on Channel 4, his identity is now fixed—thanks to media hype—as a "shocking" young performer. Diaghilev's apostrophe to Cocteau—"astonish me"—finds a willing exponent in Michael Clark, and so he astonishes us by the hallowed juvenile means of talking (or dancing) "dirty" and making a lot of noise.

His newest piece, *No Fire Escape in Hell*, had its first performance at Sadler's Wells on Wednesday, and repeats all the usual tricks that we have in the past been variously amused or bored. As a self-proclaimed advocate of dance as "real-life" — though whose remains a debatable point—Mr Clark again offers us the smutty jokes (*fellatio* with police truncheons; an artificial penis; genitals drawn on costumes; padded and squeaking buttocks) and the ill-organised capers which are now his stock in trade, during two tedious acts.

He then plays his "serious" card for the closing section of the work. Laibach, a Yugoslav rock band, perform live on stage, and the Wells management were astute enough to provide critics with ear-plugs. Whether the unplugged audience escaped at the end without impaired hearing I do not know: even through layers of pink wax, the din was horrific.

What saves the evening from being merely an exercise in misdirected energy is, as always, Michael Clark's own presence as dancer. Whether seen in a contemplative solo which begins the evening, or being carried across the stage (in drag, not surprisingly) with impeccable insteps supported in high-heeled shoes, he remains a continually fascinating performer. If, as I am told, *No Fire Escape in Hell* is about living in fear, the worst we have to fear is the loss of Michael Clark as dancer amid the scribbling of Michael Clark as choreographer.

Alastair Muir

Michael Clark (left) with David Holah

Saxton and Rogg/Festival Hall

Dominic Gill

The Ring of Eternity by Robert Saxton was the new work in Wednesday's London Mozart Players concert conducted by Jane Glover, which also included symphonies by Haydn and Mozart, and a Mozart piano concerto. It is a short piece, scored for small orchestra, around nine minutes long, and mirrors in various different ways seven lines from the poem by Henry Vaughan from which the title is taken.

It is not as homogenous or as instantly arresting as Saxton's *The Circles of Light* which the London Sinfonietta premiered last March (*The Ring* actually predates *The Circles* by several years). But it begins beautifully, and shows the same quick sensitivity to shifting patterns of sonority — in the opening pages especially motionless string chords (I was reminded suddenly of Stockhausens's *Trans*) are the frozen backcloth to a delicate play of gongs, piano ripples of wind. At first hearing et least, the mesh of contrapuntal working which emerges from this striking initial proposition seems to lose direction: agitation without clarity. Pointers could well be revealed at further hearings. I liked the sudden, sparkling final climax, which vanishes in a little whirlwind, as quickly as it came.

★

An early arrival at the South Bank on Wednesday also offered the opportunity to hear a recital from the distinguished Swiss organist Lionel Rogg—part of e series of 24 Wednesday recitals by organists from around the world.

Rogg belongs to that tradition of grand organists for whom colour and voice-leading are more important considerations than rhythmic pungency end attack (the very sonority of the concert organ, impressive as it can be, could never be called rhythmically incisive). His Grand Dialogue by Louis Marchand (a J. S. Bach contemporary) and his account of Bach's C minor Prelude and Fugue were brilliant, bird-loud canvasses spun seamlessly clear—but whose rhythmic impetus had nothing of the same clarity or brilliance. That is part of the style: the very act of playing Bach's Chorale Prelude "O Mensch bewein in Dein Sünde gross" on an instrument of such quintessentially 19th-century character leads one almost inevitably at some point to making it sound like a *Reverie* by Cui.

Rogg's own organ arrangement of Liszt's second *Légende* for piano—"St Francis of Paola walking on the waves"—was more apt, and much more stylish. The piece is a natural for the concert organist (Max Reger also made an arrangement in the early years of this century). Liszt himself would certainly have approved of the colouristic experiment, and would have loved those dark, growling pedal notes, held by bass trombone— though he might have regretted the loss, too, of rhythmic panache.

London Jupiter Orchestra

Richard Fairman

As new social groups move East of the City, so new cultural activities follow. The London Jupiter Orchestra has been formed with the express intention of basing itself in East London, performing in a variety of venues from Aldgate to the Docklands.

Wednesday's concert, given at the Chaucer Theatre in Aldgate, was their first. A good audience had turned out for the occasion, but the hall itself did not offer e welcome of equal warmth: the acoustics here are dry in the extreme, cutting the sound dead and allowing the strings no bloom. Only the woodwind did well out of it, the flute and bassoon solos in Roussel's neo-classical Concerto for Chamber Orchestra singing out clearly.

The main work was—perhaps inevitably — Mozart's Jupiter Symphony. From this performance, led by the orchestra'e Music Director Gregory Rose, it sounds as though the orchestra will settle down to a firm and confident style, if without the range of colour or nuance to rival established groups. Outer movements were vigorous. The minuet was too slow and some uncomfortable jockeying with the tempo suggested that neither the conductor nor the players were wholly convinced by it.

In a performance of Beethoven's First Piano Concerto they were joined by the pianist John Lill. Clear and decisive music-making was paramount here. Lill does not allow much wit or romance into early Beethoven and the range of tone colours is strictly limited: the central section of the *largo* slow movement eventually touched upon an oasis of gentle sensitivity.

According to the programme the London Jupiter Orchestra's next concert will be in Oxford. The Docklands, it seems, will have to wait after all.

Greenwich Theatre's 1986-87 productions

The Greenwich Theatre's 1986/87 season opens in mid-October with a production of Dylan Thomas's *Under Milk Wood*, directed by Anthony Cornish. *Night Must Fall* by Emlyn Williams follows on December 10, directed by John Dove.

After Christmas comes the world premiere of a new David Pownall play, *The Viewing* (January 14), directed by Alan Strachan.

Other productions will be *Three Sisters* by Anton Chekhov, *Desire Under The Elms* by Eugene O'Neill, *The Perfect Party* by A. R. Gurney Jr—its British premiere—and *Mary Rose* by J. M. Barrie next August to coincide with the 50th anniversary of the author's death.

Continued from Page 20

Opera and Ballet

PARIS

Opera Kunqu, Nankin. *Le Pavillon des Pivoines*. Théâtre Mogador (4874 5724).

WEST GERMANY

Berlin, Deutsche Oper: Die Meistersinger von Nürnberg with Mari-Anne Häggander, Gerd Feldhoff, Gerd Brenneis and Peter-Christoph Runge. Aida with Julia Varady and Giorgio Lamberti (34 381).
Frankfurt, Opera: La Gioconda, in a concert version, has Galina Savova in the title role. La Bohème, a Volker Schlöndorff production, has a particularly strong cast with Ilona Tokody, Hildegard Heichele and Alejandro Ramirez (25 621).
Stuttgart, Württembergisches Staatstheater: Die Fledermaus will have the main parts sung by Milagro Vargas, Eva Lind and Toni Krämer. (20 321).

NETHERLANDS

Amsterdam, Muziektheater. The Netherlands Opera presents Verdi's Falstaff directed by Livin Ciulei. The Hague Philharmonic conducted by Hans Vonk, with Timothy Noble in the title role, Ashley Putnam and Anne Howells (Wed). The National Ballet with the world premiere of Hans van Manen's Opening, the Collective Symphony by Van Dantzig, Van Manen and Van Schayk, and Van Schayk's Seventh Symphony (Thur). (255 455).
Amsterdam, Carre. The Argentine Grupo Accion Instrumental with L'Empire de dadi, an opera to music by Satie (Mon). (225 225).
Scheveningen, Circus Theatre. Nederlands Dans Theater with e new ballet by Nacho Duato, and Jiri Kylian's Svadebka and Stamping ground (Thur). (55 88 00).

VIENNA

Staatsoper: Tosca conducted by Bockley with Tomova-Sintov, Aragall, Wixell, Kerns and the Vienna Boys Choir; La Gioconda conducted by Fischer with Marton, Semtschuk, Lipovsek; Le Nozze di Figaro conducted by Mund with Lilova, McLaughlin, Janowitz; Il Trovatore conducted by Baresa with Zampieri, Obraszowa, Simonida, Cappuccilli. (51 444/26 55).
Volksoper: Madame Pompadour; Orpheus in der Unterwelt; Schwanda der Dudelsackpfeiffer. (51 444/26 57).

TOKYO

Covent Garden Royal Opera with Kiri Te Kanawa, José Carreras, Jon Vickers. Carmen (Mon); Samson and Delilah (Tue, Thur). Tokyo Bunka Kaikary (723 2356).

LONDON

Royal Opera House, Covent Garden: For the first time in its history, Welsh National Opera is taking over Covent Garden for a complete performance of its Ring cycle – conducted by Richard Armstrong, produced by Göran Järvefelt – which begins this week with The Rhinegold (240 1066).

WASHINGTON

Moiseyev Dance Company (Opera House): The Soviet folk dance troupe provides native fare from dozens of regions and ethnic groups in its week-long stay in Washington. Ends Sept 28. Kennedy Center (254 3770).

NEW YORK

New York City Opera (NY State Theatre): Andrei Serban's production of Norma features Winifred Faix Brown in the title role with Susanne Marsee as Adalgisa and Robert Grayson as Pollione conducted by Imre Pallo; Edith Davis takes the title role in Frank Corsaro's production of Madama Butterfly conducted by Christopher Keene and Scott Bergeson conducts Cynthia Auerbach's production of Les Pecheurs de Perles with Gail Dobish, Jon Garrison and William Stone. Lincoln Center (870 5600).

CHICAGO

Lyric Opera: After a 20-year absence, The Magic Flute returns to open the season, with Francisco Araiza as Tamino and Judith Blegen as Pamina, conducted by Leonard Slatkin in August Everding's production (Tue). Michael Tilson Thomas conducts John Copley's production of La Bohème with Katia Ricciarelli as Mimi and Luis Lima as Rodolpho (Wed). (332 2244).

Exhibitions

ITALY

Venice: Museo Correr (Ala Napoleonica): Le Corbusier: painter and sculptor: Over 200 of his lesser-known works, including sculpture, watercolours, pencil drawings and collages by the great French/Swiss architect. Le Corbusier loved Venice and visited the city frequently. The exhibition includes his project for the Ospedale a San Giobbe, in Venice, designed during the last year of his life (1965). Ends Oct 30.
Rome: Museo Nazionale delle Arti e Tradizioni Popolari (Piazza Marconi 8, eur): "Precious Ornaments." A large collection of Folk jewellery from all over Italy, dating from the turn of the century, illustrated with charming photographs of heavily bejewelled countrywomen. Until Nov. 30.

SPAIN

Madrid, Prado Museum. French, Spanish and Italian paintings of the 18th century. This exhibition from the Prado collection includes works not seen for 15-20 years as well as recent acquisitions. Tiepolo, Bayeu, Maella, Paret, Juan Bautista, Mengs. Palacio de Villahermosa, Plaza de las Cortes 6. Ends Sept 30.

SWITZERLAND

Lugano: Villa Favorita: Goya In Private Collections: 50 paintings by Goya, normally impossible to see and which have never travelled before. The exhibition is organised by Baron Thyssen and the Spanish Minister of Arts. Among them is the portrait of the Contessa di Chinchon, considered the best of Goya's paintings of women. Ends Oct 19.

PARIS

Boucher. 86 paintings and 25 drawings trace the evolution of the painter who personified, from 1730 onwards, an *Art de Vivre* of charm and seduction. His pastoral scenes reproduced by engravings, tapestries and on Sevres porcelain spread the influence of French Court art all over Europe. Grand Palais. Ends Jan 5. (4289 5410).

BRUSSELS

When the posters went to war: American posters through the two world wars. Musée Royale d'Art et Histoire. Ends Oct 12.

WEST GERMANY

Düsseldorf, Kunstmuseum, Ehrenhof 5: Otto Pankok (1893-1966). The Passion; 60 huge charcoal drawings by the German expressionist covering 1933-34. Ends Oct.
Essen: Villa Hügel: The chairman of Krupp, Dr Berthold Beitz, who is also head of the private Ruhr cultural institute, was the moving force behind this exhibition, helped by Mr Erich Honecker, the East German leader. The Villa Hügel, 114 years old, has been redecorated for the exhibition. This is the first show organised by the institute, founded three years ago on the initiative of the Krupp Foundation. The treasures from the period 1694-1733 of great Electors are on loan from Dresden's state cultural collections. The eight royal collections are presented separately with characteristic master works. There is also one of the oldest and most complete coin collections in the world and a huge collection of arms and copper engravings by Boucher, Chardin, Piranesti and Tiepolo. The picture gallery includes works by Titian, Poussin, Velasquez, Rubens, Rembrandt and Cranach. Ends Nov 2.
Nuremberg, Germanisches Nationalmuseum, Kornmarkt 1: Nuremberg. from 1300 to 1550. Gothic and Renaissance Art. About 300 main works of Nuremberg's grandest age. Ends Sept 28.

LONDON

Hayward Gallery: Dreams of e Summer Night – *an exhibition of painting at the turn of the century* in the five Nordic countries, organised by the Arts Council and the Nordic Council of Ministers. It proves to be an important and intriguing exercise in critical reassessment, for though many of the painters enjoyed a certain contemporary fame abroad, they were with one great exception all but forgotten in the years after the First World War. Munch was that exception, and the chief value of this exhibition, which throws a fresh light on his work, is the demonstration that he was no arbitrary phenomenon but the notable product of a distinctive national and regional character. Ends Oct 5, then Düsseldorf and Paris.

TOKYO

Turner (1775-1851): Over 100 oil paintings and water colours in one of the most important Turner exhibitions held overseas. Loans (20 from London's Tate Gallery) include Rain, Steam and Speed from the National Gallery, and Lifeboat and Manby Apparatus, courtesy of the Victoria and Albert Museum. Tokyo Museum of Western Art, Ueno Park. Sponsored by Nihon Keizai Shimbun and British Council. Ends Oct 5. Closed Mondays.

NETHERLANDS

The Hague, Museon. The legends and facts surrounding the life and voyages of St Brendan, the 6th-century "Irish Odysseus", are examined with the aid of fancifully illuminated manuscripts and early printed books. Ends October 26.

NEW YORK

Metropolitan Museum of Art: 40 Impressionist and early modern paintings from the Hermitage in Leningrad and the Pushkin Museum in Moscow include works by Picasso, Matisse and Chagall rarely seen in the West. Ends Oct 5.

WASHINGTON

Hirshhorn Museum: More than 130 paintings, sculptures and drawings from e 5,300 donation by the museum's founder Joseph H. Hirshhorn on his death go on view with works by major contemporary artists including Illem Kooning, Arshile Gorky, Frank Stella and Henry Moore. Ends Nov 16.

Elly Ameling/Wigmore Hall

Max Loppert

Elly Ameling gives this week two Wigmore Hall recitals; the first of them, on Wednesday, she planned as a Goethe concert. the programme was grouped to shape portraits of the female figures in Goethe's poetry — Mignon, Gretchen, Klärchen, Suleika chief among them—as various great Lieder composers (Schubert, Wolf, Brahms, Schumann and Loewe) recreated them in song. It was a distinguished collection, and it made an attractive set of musical sequences, which Miss Ameling linked with brief words of introduction, explanation and comment; this too was attractively done.

In fact, everything about the recital was dictated by the singer's well-established brand of artistic probity; in each song a clear, truthful perception of verse and music was translated into a performance of the same unvarnished kind. The trouble, alas, is that the voice no longer carries those perceptions on the sweet, fresh, easily produced tone that one recalls with pleasure from so many Ameling recitals. This *is* a matter that a critic who has long been an Ameling admirer would prefer to evade, but as she herself made no concession to the limitations and fallibilities of range and support that are now everywhere evident, the experience of her singing allowed the listener un refuge in artful vocal management or skilful husbanding of means.

It is typical of Miss Ameling's artistic honesty that she should choose to close her first half with a "Gretchen am Spinnrade" in the original key of D minor, when prudence might well decide another soprano at a similar stage of voice and career towards downward transposition. Not all was diminished enjoyment. In songs such as Wolf's "Anakreons Grab" or Schubert's "Nur wer die Sehnsucht kennt," whose pressures are predominantly artistic rather than vocal and whose line lies within a limited range, the disparity between style and vocal condition could still be hound up.

The vitality and sympathetic alertness of Rudolf Jansen's piano playing left all evening a very positive impression. But the sad trick of fate which the concert pointed up is that, with the natural beauty of her voice now dimmed, Miss Ameling seems to have become a commensurately less interesting Lieder singer.

British premiere of American play

The British premiar of American Sandra Deer's play *So Long on Lonely Street* starring Gayle Hunnicutt and Brian Protheroe, opens at the Palace Theatre, Wetford on October 2 until October 25.

The theatre's new artistic director, Lou Stein, is making his directing debut at the Palace, with this play.

FINANCIAL TIMES
BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
Telegrams: Finantimo, London PS4. Telex: 8954871
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Friday September 19 1986

Austria's image under strain

THE COLLAPSE of the Austrian coalition Government could be written off by the rest of the world as one more storm in a Viennese coffee cup were it not for certain unhappy facts.

Austria has undergone more scandals and upsets in the past two years than one would have expected from what, since the war, has been one of the most stable countries in Europe, even if it does have its peculiarities.

The country has made very little progress with controlling a budget deficit which could, eventually, upset its good overall economic performance, as measured by growth and unemployment, and impair its status as an international borrower.

It has also signally failed to solve the problems of a large, state-owned group of industrial concerns which have been kept above water only by financial subsidy. Measured on the international scale, these are small enterprises, but granted the state of the financial systems, the world can ill afford even small disasters.

On a wider stage the evident malaise in Austria reflects difficulties that have troubled the German-speaking countries since the mid-1970s. West Germany has its terrorists and environmentalist groups ranging from the uncomfortable to the downright unruly. Austria has been much quieter, but green opposition has hampered the development of hydro-electric resources and killed the country's only nuclear power station at Zwentendorf, which is to be demolished without ever having come on stream. Even the stolid and solid Swiss gave their own greens an unexpected boost by electing some of them into government of the normally conservative canton Berne.

None of this portends the imminence of doomsday in any of these countries. But, with the possible exception of the Swiss, they have become a bit less predictable than they used to be. That is nothing dangerous, but it does call for a constant review of pre-conceived ideas.

Paradoxically, in the case of Austria, the result of the changes in the industrial and recent political scene may be a return to the Grand Coalition of Socialists and the conservative People's Party which ran the country from 1947 to 1966.

In the present parliament, elected in 1983, the People's Party has 81 seats. The Socialists have 90—just short of an absolute majority—and until last weekend relied on the 12 representatives of the so-called Freedom Party to keep them in power.

That coalition broke up when the Freedom Party—always a strange amalgam of liberals and nationalist right-wingers—elected Mr Joerg Haider, the sharp-tongued spokesman of the latter group, to be its chairman. Mr Haider, personal ambition apart, is clearly speculating on his chances of returning the party to its one-time role as the home of the protest voters.

Almost inevitably that increases the chances of a renewed Grand Coalition unless—as seems most improbable—either of the big parties captures an absolute majority. Such a Grand Coalition would have both its dangers and its advantages. The danger is that government, instead of being a creative process, could become nothing more than the cobbling together of dubious compromises and the sharing out of jobs among party hacks.

Emerging consensus

But what Austria needs are radical solutions to the budget problems, to the mess in state-owned industry, and to its excessive dependence upon traditional industries. It may be another Austrian paradox, but a consensus on key matters has been emerging on these questions going far beyond a nostalgia for the years of economic growth until 1966 — between the Socialists and the People's Party. The trade unions, essential ingredients in the traditional social consensus, have not mounted the barricades against plans to cut employment drastically at Voest, the biggest state-owned concern.

Dr Franz Vranitzky, the Socialist Chancellor, a pragmatic technocrat, has supported the idea preached by the People's Party leader, Dr Alois Mock, that private capital must be brought into the state-owned sector. If everyone sticks to his good intentions, the forthcoming election could do a great deal to clear the air and to range the electorate behind the need for change.

Reshuffling of assets

HANSON TRUST, one of the largest and most successful British-owned conglomerates, has shown once again its remarkable skill in buying and selling companies. Its two most recent acquisitions, SCM in the US and Imperial Group in the UK, are being rapidly dismembered, enabling Hanson to recoup most of the original purchase price; it was announced yesterday that Imperial's brewing subsidiary, Courage, was to be sold to Elders IXL, the Australian group. Is this no more than asset stripping, reminiscent of Slater Walker and its unlamented rivals in the early 1970s, or does it represent a valuable contribution to the economy? There are some grounds for unease over Hanson's role as corporate auctioneer, but, as long as its activities are recognised for what they are and not invested with false glamour, they can be regarded as useful and perhaps even necessary for the functioning of the capital markets.

Hanson Trust has two main roles. It is an industrial company, managing certain assets, and it is a trader in companies, redistributing assets from one owner to another. In its first role, it has tended to concentrate on low-technology businesses which are managed with a close eye on reducing costs and generating cash. Its record is entirely respectable, but there is no evidence to suggest that Hanson's skills are appropriate for the really difficult management problems like the re-building of the Rover Group or the strengthening of ICL's position in the world computer market. To the extent that the UK needs more internationally competitive companies in research-intensive sectors, Hanson does not offer, or claim to offer, much of a contribution. This is not to denigrate what Hanson does, but the limits to its managerial scope need to be recognised.

Managerial weakness

It is the second role which has recently come into greater prominence. When it attacks companies like SCM and Imperial, it does so with the clear intention of keeping only part of the business for its own portfolio and selling the rest to the highest bidder. The most obvious targets are the unwieldy conglomerates built up in the late 1960s and early 1970s, which still represent an area of managerial weakness in the British (and US) economy. There is room for argument over whether Imperial fell into this category and hence whether the Hanson treatment was better than allowing the pre-Hanson management to get on with the job. But it is certainly possible that Elders, with its brewing experience, will be a more effective manager of Courage than Imperial and will inject a healthy dose of competition into the British beer market. In other cases there is no doubt that Hanson's owner is beneficial; the purchase by ICI of Glidden, SCM's paint subsidiary, is an example of this process.

Thus Hanson's role in redeploying industrial assets can be helpful. Similarly the presence of Hanson and other predators in the market represents a threat to companies, especially those operating in a diverse range of businesses, which are not managing their assets effectively. Companies are forced to ask themselves whether they would be better off "doing a Hanson"—shedding peripheral businesses and concentrating on what they do best—instead of waiting for Hanson to do it for them.

Financial opportunism

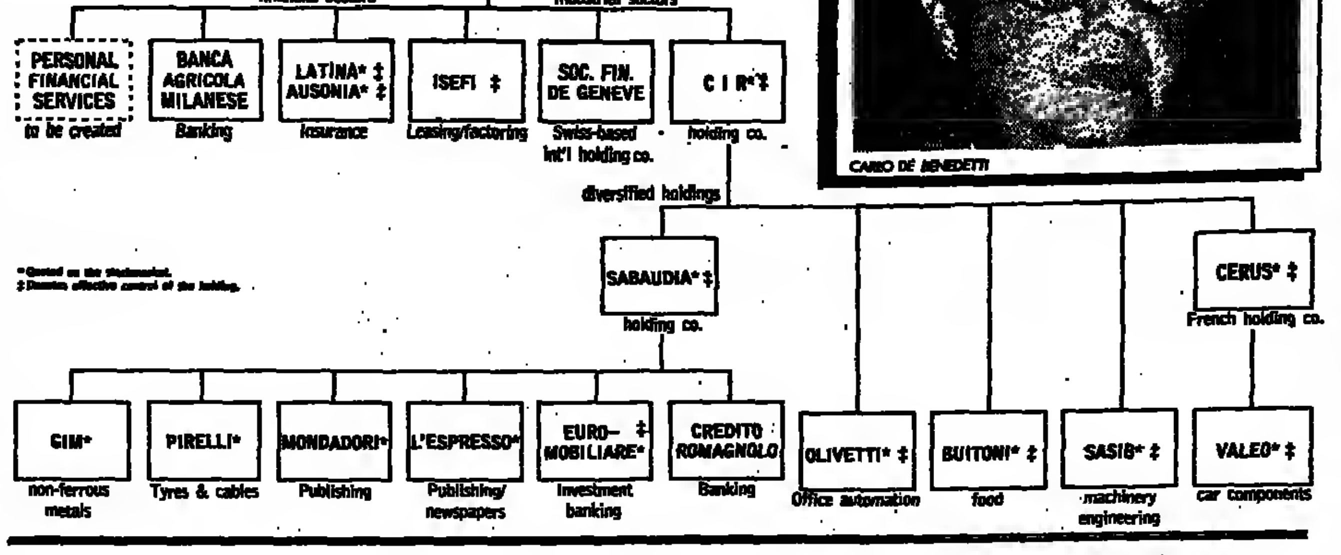
There are two grounds for anxiety. One is that Hanson's growth and the rating of its shares depend on its ability to go on making large and frequent acquisitions. Even allowing for its "auctioneering" skills, the basic Hanson business is bound to become bigger and more difficult to manage. There must be doubt whether a business based on this formula is sustainable over the long term, especially after the present management team has departed from the scene.

The other doubt concerns Hanson's image in the City of London. It seems that financial opportunism is more highly rated than the building of businesses and that the way to win the City's acclaim is to indulge in adventurous takeover bids which make large headlines—and earn large fees for City institutions. There is nothing wrong with financial opportunism or with takeover bids, but they are only part of what the [illegible] of industry is about.

A machine of men and money

By Alan Friedman in Milan

MR DE BENEDETTI'S EMPIRE



CARLO DE BENEDETTI

UNTIL VERY recently the name of Carlo De Benedetti was linked in most people's minds with Olivetti, the Italian office equipment maker which has been one of Europe's great turnaround stories.

Over the past 12 months, however, the 51-year-old Mr De Benedetti has emerged as quite a different figure: no longer is he merely the Olivetti chairman who engineered a textbook industrial revival and then embarked upon a global alliance with American Telephone and Telegraph (AT & T).

Instead, Mr De Benedetti has become the swashbuckling leader of a diversified industrial and financial empire which since the start of this year has launched equity and bond issues to raise more than \$2bn and has meanwhile made 16 acquisitions costing \$640m.

Mr De Benedetti's empire is actually an investment pool which is named after the man — the ultimate holding vehicle is Cofide, which stands for Compagnia Finanziaria De Benedetti. Cofide now has effective control of companies which have combined annual revenues of more than \$7bn and a total stockmarket capitalisation of \$12bn.

This includes Olivetti, where by agreement with other shareholders, the De Benedetti Group has management control despite the fact that its actual share stake is only 15 per cent. The same is true at the Valeo car components group in France, where the Cofide shareholding is 20 per cent. It is worth recalling that one year ago Cofide, as an organised entity, did not exist.

The sectors which Mr De Benedetti is now involved in are as far-flung as banking, insurance, pasta, chocolates, frozen fish, car components, leasing, factoring, publishing, packaging machinery and, of course, office equipment.

The speed with which Mr De Benedetti has assembled his empires, combined with tha fact that be pioneered the use of the Milan Bourse as e source of equity capital to replace bank debt, have made him e legend in his native Italy. In a country where Mr Gianni Agnelli, the Fiat chairman, has long reigned as a sort of uncrowned king, the rise of Carlo De Benedetti in recent years made him a usurper. That is no longer the case—Mr De Benedetti, once an outsider, is now part of the establishment.

What is more, he has become the champion of hundreds of thousands of stockmarket followers and the darling of prominent financial institutions in New York, London, Tokyo and Paris. Aside from the 51 per cent stake in Cofide which he retains, Mr De Benedetti has among his major Cofide shareholders the equivalent of an underwriting syndicate *par excellence*. The list includes S. G. Warburg of the UK, Shearson Lehman Brothers and Dreyfus Corporation of the US, Nomura Securities of Japan and the Indosuez group of France.

What do all these shareholders see in Mr De Benedetti? What logic has driven him to create this financial and industrial grouping with its 27 stockmarket quotations in Italy, France and Switzerland?

Mr De Benedetti's critics (desplta the sea of stockmarket fans, there are some) have alleged that be is a financier and not really an industrialist, that he is a gambler who takes big risks and that he has seized a number of acquisition opportunities to create a holding empire which is too varied to make any sense. The critics also maintain thet while be is very good at buying companies and restructuring them financially by means of debt-reducing rights issues, be lacks an adequate management structure for a bewildering array of companies.

Tha Piedmont-born entrepreneur, who two weeks ago toured major European financial centres to present Cofide and explain his future plans, reckons he has a clear master strategy and can respond to each and every criticism levelled against his style.

An outsider who is now part of the establishment

"Some people have said that Cofide is an empty box which I use to leverage myself," he says. "I put my name on the company, but not just as an ego trip. My commitment was not to create e Chinese box, but a financial company which has two functions. One is to be tho major stockholder in industrial companies, which means selecting the management, providing the funds and indicating the strategies. That is done through CIR (see diagram). The other goal of Cofide is to be a direct operator in financial services, from insurance to portfolio management."

Mr De Benedetti stops to take s call. Seated in the boardroom of Olivetti's modest Milan office-block, the man in shirt-sleeves looks more like a Wall Street investment banker than the ambitious builder of a business empire which controls companies with a total of nearly 90,000 employees.

He now addresses himself to tho industrial holdings in his group: "The group structure is nearly complete. Wo are in four main sectors and we will direct all future expansion through acquisitions, joint ventures and alliances based on these four, which are office entomation, food, machinery and car components." The four industrial flagship companies are Olivetti, Buitoni, Sasib and Valeo.

To explain bow these four sectors will be developed, Mr De Benedetti cites examples of acquisitions: Olivetti has this year ecquired Triumph Adler, Buitoni has acquired Davigel, a French frozen fish distributor, and other food companies in Italy. Sasib, already a leader in tho manufacture of tobacco packaging machinery, has bought three makers of food-packaging equipment.

Then comes Valeo, where Mr De Benodetti only recently won management control: Valeo is clearly very dear to Mr De Benedetti's beart, not least of all because it is in France, which be says will be the next major area for expansion. A French holding group, Cerus, has been formed and quoted on tho Paris Bourse, and Mr Alain Minc, formerly of Saint Gobain and one of the leading lights on the Paris financial scene, has been hired to manage the French operations.

France is of strategic importance to Cofide. There will no doubt next year be a string of sharo issues for De Benedetti companies on the Paris Bourse. Oilvetti's French subsidiary, which is merging with Logabax (a recently acquired French data processing concern), will be qnoted on the Paris Bourse.

Most importantly, from Mr De Benedetti's point of view, he plans to channel all European expansion in the foods sector through Buitoni France. "Buitoni France will become the real centre of our foods business and Buitoni in Italy will next year become less important," explains an aide to Mr De Benedetti.

But what are the synergies between these four industrial sectors? Isn't this just an old-fashioned conglomerate? At this point Mr De Benedetti raises his voice slightly: "We are the opposite of e conglomerate. In e conglomerate there is one central management. Here wo havo separate managements and separate qnotes on the stockmarket. Olivetti is completely separate from Buitoni, bnt the two companies happen to have the same parent shareholder, and that is usefnl for fund raising," he explains. Then, in the only reference be is to make to Mr Agnelli or Fiat, Mr De Benedetti says: "Look et IFI (the Agnelli family holding vehicle). Cars, vermouth, insurance, cement. No one goes and asks what is IFI because it has been around for 20 years. We have created our group in two years."

The group which Mr De Benedetti has created is now branching ont into financial services, an area where the fast-moving entrepreneur feels most comfortable. Insurance companies are being acquired, banking interests are being consolidated and Mr De Benedetti says his future strategy involves using the recently acquired Societe Financiere de Geneve (SFG), a shell company bought from Swiss Bank Corporation, as the base for e European investment company and operator in corporate and personal financial services, publishing, portfolio management and direct equity participations.

'He delegates more. He is not a one-man band'

Within the next few weeks, 30 per cent of the newly acquired SFG will be floated on the Geneva Bonrse with SFr 180m (£73.4m) share issues. And while SFG will operate in finance rather than industry, the technique illustrated by this operation is typical of the De Benedetti formula.

The formula, rednced to its simplest terms, is this: acquisition opportunities are found, controlling share stakes are purchased, within weeks of the deal the company is recapitalised and then quoted on the market with a fund-raising issue. With a cash balance and restructured debt, the De Benedetti-acquired company shows a big profits rise (or return to profit) in the first year, and shareholders have frequently seen the share price rise by 20, 30 or 50 per cent within months of the arrival of Mr De Benedetti.

As one Milan analyst commented: "The share performance of a De Benedetti company always anticipates the "magic" he works. He raises vast sums of money through a network of companies, but the funds are being raised mainly on his name. This is almost a blind pool—you put your money on the man without knowing how be will use it, but you generally get a great return."

Aside from stock market returns, how good is the management of De Benedetti companies? "It was certainly true a year ago that we had a management deficiency," admits an aide to Mr De Benedetti, "but that is not true anymore. We now have at least ten top managers in different sectors on whom Mr De Benedetti relies. He delegates more. He is not a one-man band."

But what are the risks of the De Beneditti style? The Italian entrepreneur says thet 1987 will be his "year of consolidation," that he has built the group he set out to. His aides argue that risk is spread; some deals are high risk, but others are low, the mix of industrial and financial companies provides for counter-cyclical revenues and thus the overall "package" of Cofide companies has a low risk quotient.

One things which is reassuring is the enormous liquidity at band, now running et more than \$1.4bn among Cofide companies, half of which is at Olivetti.

And even if the De Benedetti "magic" were not to work on a particular fund-raising operation, the Shearson Lehmans, Warburgs and Nomuras could guarantee any issue. "The fact that we are active shareholders in Cofide should say something," explains one senior Wall Street banker. "Tho group of institutions behind Carlo De Benedetti has faith in the man and the financial clout to underwrite any doal," he edds.

As for Mr De Benedetti, be has plans to raise another \$600m by Christmas. New opportunities will present themselves, he says, and "anything one does in business is with men and money — the money is not hard to find if you have the right men."

It is significant that Mr De Benedetti is cashing in on stock markets in the coming months and talking of consolidation next year. His forecast for the Milan Bourse, Wall Street and London is not bullish in the long term. "I think the markets will reach new highs, all markets will reach e new high, in the next six months. But with US bank problems, junk bonds and e coming recession, I think there could be big problems on stock markets in the second half of 1987."

So the De Benedetti bandwagon rolls on; the man claims his structure is now in place, and if be has his way, the Olivetti turnaround will in future be seen as one milestone among many. An empire has been constructed in an extremely short time. Now comes the hard part.

Men and Matters

Clinching the Courage deal

IF Elders IXL's purchase of the Courage brewing business is a major achievement for Elders boss John Elliott, it represents no less a success for Andrew Cummins, Elliott's corporate finance man who actually put the deal together.

Cummins, aged 37, bas spent much of the last year in London masterminding the bid for Allied-Lyons, then coaxing it through the Monopolies Commission and finally changing tack to clinch tho Courage purchase.

His career shows remarkable parallels with that of 44-year-old Elliott. Both were management trainees at Broken Hill Proprietary (BHP), the mining group in which Elders has a substantial stake, before going to work for McKinsey, the US management consultants, in Australia.

"I was with McKinsey for nine years and became a partner, but John didn't stay long enough to do that," Cummins says with e slight smile.

Cummins gained his first degree in engineering at Monasb University in Melbourne but went on later to do management studies et Newcastle University in Victoria and then to an MBA at Stamford University in the US.

It was while working for McKinsey in its Melbourne office that Cummins began to do more and more work for the ambitious Elliott. Last August, just two weeks before Elders made its bid for Allied-Lyons, he joined Elliott full-time.

Cummins expects to spend a lot more time in the UK next year belping with financial reorganisation at Courage. It may be time, he said yesterday, to bring over his wifa and two children to the UK.

"You look like a jolly swagman—hew about blewing into this tuckerbag?"

Not so nicely

With the US and the USSR swapping spies and expelling diplomats left, rigbt and centre, the news that Louis Gerstner, American Express's 44-year-old president, had fallen into Soviet bands earlior this week received surprisingly little attention.

Gerstner was on the way to deliver yet another upbeat message to a group of American Express managers on Long Island on Tuesday when his company belicopter dropped him accidentally inside the well guarded Soviet compound, 500 yards away from his ultimate destination. He was met by e group of guards and dogs and after a few tense minutes was allowed to go free.

The Soviet Union apparently did not realise the value of its American Express asset and did not demand that Gerstner be exchange for a Soviet spy. They just called the local police, informed the US mission to the United Nations and have not yet lodged a fully fledged complaint.

As for American Evpress, whose travel business prides itself on delivering its customers to the right place at the right time, it says it does not intend to sack the company'e helicopter pilot.

Nomura's gifts

Noblesse oblige for the suddenly mighty Nomura Securities. Japan's largest securities house has just announced donations totalling \$3.3m to two US universities, the Sloan School of Management at Massachusetts Institute of Technology and the Graduate Business School at New York University, for securities markets research.

Earlier this year, it set np a Y1bn Nomura Fund in Japan to sponsor research in Japanese universities. And in England? "We bave donated to tha Opera House, a spokesman said.

Nomura will have little trouble paying for this largesse. Its pre-tax profits in the year that will end this month are expected to reach Y380bn (\$2.45bn).

Whether it will help eliminate the rather sharp image that Nomura bas in Japan remains to be seen. Jepan's patrician bankers still look down their noses at the brokerage bouses, which used to be popularly known at "kabu-ya," or stock shops, having about the same prestigo as a yao-ya or greengrocery.

But now that Nomura's profits are more than double the combined total of Japan's two largest banks, that is becoming a more difficult stance to maintain.

Plugging on

Which way you view the electricians' union EETPU depends where you stand, I suppose.

The union, for instance, has just produced a glossy industrial relations yearbook, giving useful information on the labour movement, employers' associations and political parties.

But it has also included in the yearbook, advertisements for employers such ae Toshibe, Hitachi and . . . News International, with which the EETPU is controversially linked in a spot of bother

While other unions are busy ensuring no News International newspapers so much as soil their doormats, the electricians' yearbook carries a full-page promotion, in colour, on the back of the front cover, for the merits of The Times, Sunday Times, Sun and News of the World.

Print unions, already seething over the EETPU's alleged complicity in the dismissal of 5,500 of their members by News International, are expected to send strong protests to John Grant, the union's head of communications.

He says the advertisement was booked through an agency. "When I saw it, I thought, well we are not in dispute with News International, so why should I veto it? That was that."

Grant happens to be chairman of the SDP trade unionists group. It must, of course, be just a coincidence that the issue of the Sunday Times featured in the advertisement carries the headline: "Alliance flies higher as Labour sinks."

Keep count

"All I known about the becquerel is that, like the Italian lira, you need an awful lot to amount to very much"—Arnold Allen, chairman of the UK Atomic Energy Authority, explaining units of radioactivity at its annual press conference in London yesterday.

Part works

A loaflet enclosed with e foreign-made clockwork engine bought by a reader for his child assured him: "This model is simply made with very few parts that cannot go wrong."

Observer

POLITICS TODAY

No doubts now over Dr Owen

By Malcolm Rutherford

THE late night revue staged by the Social Democrats at their annual conference in Harrogate this week kept featuring a placard saying: "Not forwards, not backwards, but sideways."

Much of the revue hinted at fears in the party that it is the Liberals who are becoming the more powerful partner in the Alliance. Yet it ended with the audience spontaneously and sentimentally joining in the chorus of a lyric sung to the tune of Davy Crockett—"David, David Owen, King of the SDP."

That rather accurately reflects the changing mood of the conference. It began with doubts: doubts about where the party is going next, about the state of the relationship with the Liberals, about defence policy, civil nuclear power and the apparent fiasco over the initial launching of the proposals to merge tax and benefits. Gradually the mood became more confident as subjects were debated without major splits. The conference ended with Dr Owen once again indisputably King of the SDP.

At the start, Dr Owen tried very hard not to appear too dominant. He told the conference very quietly on Saturday afternoon that the next general election will be about three main issues: unemployment, tax and defence. It was not a speech seeking a standing ovation, and it did not get it. It was more a few introductory remarks.

Then he addressed a fringe meeting about defence on Saturday evening. He spoke about his recent trip to Paris and Brussels with Mr David Steel, the Liberal leader. What happened was that the French, from President Mitterrand downwards, put out the red carpet and talked to them very seriously about Anglo-French co-operation on nuclear weapons.

The French version of the story is rather more revealing than Dr Owen's, but even he as a former Foreign Secretary was impressed. Mr Steel, who had probably never been received in Europe in that way before, was very impressed indeed.

The French said that they had always been interested in nuclear co-operation with Britain, but that the British seemed to prefer the US. However, if this were to change—without in any way undermining the Atlantic Alliance—there were certain things that might be done. For instance, there might be Anglo-French agreement on targeting of nuclear weapons and on harmonising the refitting of their nuclear fleet so that the two countries between them would always have sufficient nuclear forces at sea at any one time.

If such co-operation developed, the French said that they might reconsider their doctrine that their strategic nuclear weapons are only for the protection of France. It would be necessary to talk to the West Germans, of course, not to bring them in as a nuclear power, but to secure their support for the idea of European deterrence.

Dr Owen was delighted by this and very struck by French self-confidence. He has become convinced that American troops in Europe will be withdrawn, or at least substantially reduced, within the next five years and that therefore the maintenance of European nuclear weapons is more essential than ever. He does not like the present British Government's commitment to replace the Polaris force with the more powerful Trident, and thinks that arrangements with the French could reduce the size and cost of any Polaris successor.

There is a semantic difficulty in that many people think of the Trident missiles and the submarines that will carry them as being practically synonymous. In fact, the submarines are British. Two of them have already been commissioned from Vickers. Dr Owen is preparing the way, if he has the chance, to let the submarine orders go ahead, but without the Trident missiles: hence the way he has started to talk about the "Vickers' boats." Alternative missiles might be devised by British Aerospace or even acquired from the French.

Mr Steel was pleased as well. He likes the idea of a European approach, and has become readier to go along with a successor to Polaris provided that it is in European garb and is not over-powerful. This is the concept of "European minimum deterrence." The term "British independent deterrent" has been expunged from the SDP-Liberal vocabulary, though how far Mr Steel's rank and file will buy the compromise depends to a large extent on the Liberal Assembly in Eastbourne next week.

Both Dr Owen and Mr Steel were impressed in their Paris talks by the near-unanimity on defence of all the French political parties. They say that it is the kind of consensus on major national issues that they want to see at home. They may, however, have slightly misunderstood French motives in this case.

The French say, correctly, that they have always been ready for some nuclear co-operation with the British. They offered it to Mr Edward Heath when he was Prime Minister in the early 1970s, but nothing much came of it.

The new factor in pressing it again now is French apprehension that a Labour Government may come to power in Britain determined to get rid of British nuclear weapons altogether. France would then be the only nuclear power in Europe. It would feel very lonely, perhaps exposed to pressures from the superpowers to disarm and incapable of providing a European approach on its own. In that sense, the French Government's message was addressed as much to Mrs Thatcher as to Dr Owen and Mr Steel. It meant: let us start co-operation soon.

In terms of British politics, Dr Owen may have won a victory, so long as he can take the Liberals with him. He always said that the Labour Party was most vulnerable on defence. It might look even more vulnerable if it turned its back on nuclear weapons without considering a European alternative.

Unemployment — one of the other issues which Dr Owen said at the start would dominate the election campaign — was not much addressed directly. Dr Richard Layard, probably the foremost academic authority on the subject, was present and spoke to fringe meetings. Yet he seemed disappointed at his inability to persuade the SDP — and politicians in general — that specific targets can be set and problems, like the long-term unemployed, identified and dealt with.

It is as if everyone agrees that the number out of work is the biggest single problem facing the country and that the Conservative Government after seven years of office must be held at least partly responsible for it. Mrs Thatcher's advantage is that no one from within the parties has come up with any credible alternative policy.

It is much the same with law and order. Dr Owen toyed with the idea of making that one of the major themes in his concluding speech and may come back to it later. One of the difficulties is that, like unemployment, it ought to be one of the big political subjects. Almost everybody is affected by it; almost everybody talks about it. Yet the very term "law and order" is tinged with such right-wing connotations that parties to the left of the Conservatives find it very hard to say anything convincing about their own approach.

The Tories monopolised the theme in 1979 and have spent more money on the police. Yet the crime rate has not noticeably gone down as the prison population has gone up. As Mr Roy Jenkins, the former Labour Home Secretary, pointed out in Harrogate, even the Turks have given up the chase for the highest number of prison inmates.

Still, on law and order Mrs Thatcher probably retains the edge because her party is identified with it. It is not enough for the policies to be seen to have failed. Someone else has to put up something better, and that neither the Alliance nor the Labour Party has yet done.

So in the end Dr Owen chose tax reform and the relief of poverty as his main theme. It was the right one for the conference which had shown its enthusiasm for making sacrifices in favour of the poor in the tax and benefits debate earlier in the week. The party's social conscience came to the fore and it began to see itself again as left of centre.

There should be no great problems with the Liberals either. The latter have been working on schemes for fusing tax and benefits for some years. Between them they have the makings of a moral crusade that offers simplification of the system into the bargain.

It was still a risk, however. Dr Owen will never be allowed to forget it if his figures are wrong. The result was also that the Conference ended with the SDP again looking like a one-man band.

Dr Owen may have tried to start the week more modestly, but in the end it is he who calls the shots. Over the last three years it is he who has embraced the social market economy on behalf of his party, resisted the pressures for a merger with the Liberals, won support from his own followers for a successor to Polaris and now put tax reforms at the centre of the political debate. No one else in Harrogate really compared with him and Mr Jenkins, the former leader and one-time Chancellor of the Exchequer, was held to making an elegant speech about political reform in which he said very little.

The next step is the Liberals at Eastbourne. They could cause some difficulties on defence and rather more on civil nuclear power. But the most interesting phenomenon is the way the impression is growing that they are the stronger partner in the Alliance. They have more MPs, more local councillors and win more by-elections, and the position is unlikely to change after the general election.

Also, Mr Steel may have emerged as the long-distance runner. There was more than a touch of good clean fun when he referred to Dr Owen on the platform at Harrogate as "Superbrat." The Alliance will go on, but the balance of power within it may tilt.

Lombard

Own goal by the Russians

By Patrick Cockburn

WHY DO Soviet foreign policy makers periodically shoot themselves in the foot? Until very recently, the Soviet Union seemed nicely balanced in terms of its international image. There was a chance of some measures of nuclear arms control being agreed with the US, leading to a second summit between Mr Gorbachev and President Reagan.

The arrest of Mr Nicholas Daniloff, the US reporter, in Moscow on August 30 has changed all that. In as comprehensive a piece of diplomatic foot shooting as a Washington hawk could have imagined, Moscow has ensured that it will carry most of the blame for worsening relations between the super powers. It is difficult to see, as have some US commentators, any "tactical victory" for Moscow in the simultaneous release of Mr Daniloff and Mr Genaddi Zakharov, the Soviet UN official, into the custody of their own ambassadors.

On the contrary, the benefits to be gained by Moscow from either the detention or release of Mr Zakharov are minor compared with the disadvantages of dissipating the results of Mr Gorbachev's long campaign to convince people abroad that the Soviet Union's intentions are more benign than they might have supposed.

Why did somebody in the KGB security police decide that it would be a bright idea to frame Mr Daniloff in retaliation for the arrest of Mr Zakharov a week before? The reasons are important, because they throw light on the strengths and weaknesses of Soviet foreign policy makers.

The theory that the KGB simply ran amok does not really hold water, although antagonism between the CIA and the KGB has grown over the past year as a result of a flurry of defections and redefections. But the framing of Mr Daniloff is more likely to be the result of three knee jerk reactions on the part of Soviet foreign policy makers as a whole:

● Since relations between Washington and Moscow started to improve from early 1984, the Soviet Union has been nervous that a more conciliatory policy on its part would be interpreted in the US as a sign of weakness. The timing of the arrest of Mr Zakharov on August 23, a month before Mr Eduard Shevardnadze, the Soviet Foreign Minister, and Mr George Shultz, his US counterpart, were due to meet, was seen as a test of just how much Moscow was prepared to take.

● Soviet officials tend to think that nothing in international politics happens by accident. This is not a bad thought once you do not think it too often—in which case paranoia and elaborate conspiracy theories result. For many Soviets in a position to influence foreign policy, everything from the expulsion of 31 Soviets from Britain for espionage last year to the arrest of Mr Zakharov can be wholly explained as a co-ordinated campaign

● This paranoia is all the more dangerous because the Soviet leadership is bad at co-ordinating strategy and tactics. When the overall strategic line, in this case nuclear disarmament, test bans and summitry, is laid down by the Politburo then any event which diverts attention from what Moscow wants is interpreted as an attempt by the US and its allies to slip a card from the bottom of the pack. The result is a dangerous tendency to say "let's show them we can play dirty pool too."

There is a reason for Soviet paranoia which is partly of its own making. A realistic conspiracy theory would go like this: the Kremlin's tendency to over-react if you prod it in the right places is well known in Washington. If any faction within the administration did want to reduce the chances of a summit, then arresting Mr Zakharov just before the Shultz-Shevardnadze meeting might have appeared a good ploy.

In any case the Daniloff affair shows that Mr Gorbachev's quite genuine change in the way Soviet foreign policy is run has not ended the knee-jerk reactions which have sabotaged it in the past. This makes Mr Gorbachev's initiatives in the US, Western Europe and China all vulnerable to the inflexibility and paranoia of the foreign policy makers who are meant to implement them. Given these weaknesses it may not be surprising that Mr Daniloff was arrested almost exactly on the third anniversary of the day the Korean airliner was shot down.

Letters to the Editor

Agencies for the North

From Dr R. Hudson

Sir,—Some months ago you reported that business people in the North of England would strongly support the establishment of development agencies in their areas, modelled on the Scottish Development Agency. On August 27 you published an article by Chris Moore and Simon Booth, who argue that "... it is a fundamental mistake ... to believe that the Scottish Development Agency is a model to save the economies of England's derelict regions." More recently (September 9), Jack Stopforth accepted their rejection of the SDA as an appropriate model for English regions and suggested that the most appropriate mechanism for industrial regeneration would be regional enterprise boards. To add to the confusion, your pages (September 10) carry the latest in a series of advertisements from English Estates, suggesting that it is already the English equivalent of the Scottish and Welsh Development Agencies.

What are we in the North-East to make of this proliferation of conflicting views? Is there a case for a Northern Development Agency? If so, what might it look like? Rejecting a mechanistic transfer of a clone of the SDA into the different cultural, institutional and political environment of English regions is, I think, correct. But this is only to reject one particular model for a Northern Development Agency rather than the idea of an agency as such. There are alternatives. In examining them in relation to the North-East, however, English Estates seems an inappropriate starting point as its activities remain restricted to constructing industrial estates and factory units. Attracting companies to fill these factories has depended and will continue to depend upon the activities of other agencies or, in some cases, upon designating estates as parts of enterprise zones. In contrast, with an annual budget in excess of £100m, the SDA has its own "in-house" capacity and resources to undertake promotional activities and initiate sectoral strategies to attract new industries and support already-established ones.

Of all the organisations currently involved in regional development in the North-East, it is ironic that the ones that perhaps come closest to fulfilling the range of functions that the SDA performs, though on a smaller scale, are the New Town Development Corporations, currently threatened with abolition. If a Northern Development Agency is to emerge from existing institutions within the North East, maybe there is a stronger case for the new town development corporations expanding to take over English Estates, industrial property portfolio rather than *vice versa*, as English Estates has suggested.

Dr R. Hudson.
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Main chance resisted at the Savoy

From the managing director, Savoy Hotel

Sir,—Several critical comments by Mr Donald Main, finance director of Trusthouse Forte, were added to the half-yearly results (September 10) of the Savoy. As I need hardly remind you, Trusthouse Forte has been trying for five years to take over this company and has so far been successfully resisted. It is in its interests, therefore, whenever the Savoy's results are issued to belittle them.

The hotels of the Savoy group in London already have an occupancy level which is envied by many. Mr Main's remark that "we would be aiming approximately to double their earnings" would mean that the percentage of the Savoy's turnover converted to profit would have to be increased from the present 17.1 per cent to a figure in excess of 30 per cent. That is unheard of in this industry, and has certainly never been achieved by Trusthouse Forte.

Another way to obtain such an increase in earnings would be to raise prices inordinately, or lower levels of service to an unacceptable standard, or a combination of both. As the Savoy has been in business for nearly 100 years, and Claridge's and the Berkeley for even longer, and each has maintained a reputation for quality throughout the world, it would be a disastrous policy to abandon such high standards.

A third way would be to pray that, with divine intervention, the number of days in a year could be doubled. But I am sure that this would be beyond the capabilities even of Mr Main.

G. R. C. Shepard.
1 Savoy Hill, WC2

Long arm of the US courts

From the solicitor, Department of Trade and Industry

Sir, — Your leading article (September 10) refers to a brief to the US Supreme Court in the Aerospatiale case, submitted by the British Government as *amicus curiae*. The article says that the brief seems to give up the principle of territorial jurisdiction.

The *amicus* brief is addressed to a question of US law and it must be read in the context of the case, which concerns the question of product liability for an aircraft crash in the US.

The position of the UK on matters concerning "extraterritoriality" has not changed, and the Government puts it forward on all suitable occasions. Powers exist in the Protection of Trading Interests Act 1980 to counter extraterritorial demands, and it can be expected that these will continue to be exercised in appropriate cases.

J. B. K. Rickford,
10-18 Victoria Street, SW1.

A glut of tax legislation

From Mr C. N. Beattie, QC

Sir,—Parliament has in the past seven years under Conservative rule enacted more tax legislation than in any other seven-year period in this country's history. What is the matter with our Treasury Ministers and MPs that they allow such piles of rubbish to reach the statute book? The answer can only be that they could not care less.

Is it too much to hope that one day we shall have a Chancellor of the Exchequer who will procure the repeal of 99 per cent of our tax laws and refrain from loading the system with disguised subsidies given for social and economic purposes?

Charles Beattie.
24 Old Buildings,
Lincoln's Inn, WC2.

Why the Airbus must stay independent

From the national organiser, TASS

Sir,—According to your editorial (September 12), "the sensible course" for Airbus Industrie is to drop plans to produce the A340, collaborate instead with McDonnell Douglas on the MD-11 and invite it to co-operate on the A330. This you say would "neatly fill the gap in the US manufacturers' range" and would be "commercially realistic." Why should an already commercially successful enterprise such as Airbus Industrie turn its attention to solving problems in the US aerospace industry?

European industry owes no favours to the US. Partnerships between enterprises in both continents generally result in the Europeans being junior partners, picking up whatever remains after the Americans have captured the major high-tech, skilled and design part of the operation.

So far, Airbus Industrie has remained in the forefront of technology, employment and commercial success by being independent. 1985 in particular was a commercial success for the European consortium. In the first six months the value of the new orders exceeded that of Boeing and McDonnell Douglas combined. So why change now?

If McDonnell Douglas does press ahead with the MD-11 as you suggest, this does not mean that it will automatically capture the market. In 16 years, Airbus has steadily built up a reputation — enhanced it would seem by the performance of the A300 at Farnborough. It displayed flight characteristics never previously seen in a commercial aircraft. The levels of safety and general performance were an excellent advert for the A320, scheduled to fly next year.

To interrupt this progress by abandoning a major project could only harm the industry. In fact, the arguments raised by your editorial seem simply to be a recipe for escalating the colonisation of European industry by the US.

The point at issue is to convince domestic governments of the advantages for employment, for technological advance and for commercial success of having an independent aerospace industry in Europe. This in turn may convince domestic airlines such as British Airways of the all-round benefits of buying European. A more enthusiastic British Government response than hitherto could give Airbus the necessary armoury to ward off any likely competition.

You quote the French Government as placing "national prestige" and the "need to preserve jobs" above budgetary pressures. What is wrong with that? To participate in the next generation of projects British Aerospace requires £500m from the Government for launch aid. If the Government dithers as it did over the A320, the project could be delayed and the Americans really will have a competitive advantage.

It has been said before. But unless we want Europe to become the cuckoo-clock manufacturers of the world, its manufacturing industry must stay independent, particularly in relation to the US. An independent Airbus is crucial

C. Darke.
66, Wandsworth Common North Side, SW18.

Cautionary tale

From Ms J. French.

Sir,—You referred (September 15) to the members of Gatt as the child of Belloc's rhyme, "who kept a hold of Nurse for fear of finding something worse." In fact, the child (whose name was Jim) failed to do just that, and ended up being eaten alive by a lion.

Jane French,
Citicorp Investment Bank,
335 Strand, WC2

FINANCIAL TIMES

Friday September 19 1986

Honeywell may buy Sperry aerospace division

By Louise Kehoe in San Francisco

HONEYWELL, the US computer and electronics manufacturer, scotched rumours of an imminent breakup of the company yesterday with the announcement of less radical cost cutting measures and the possible acquisition of Sperry's aerospace business from Burroughs, which recently acquired Sperry.

"There is no substance to rumours of a takeover of the corporation," Honeywell said late on Wednesday, following the publication of an analysts' report that suggested Honeywell would divest virtually all of its operations to NEC of Japan, Bull of France and Boeing of the US.

Honeywell's stock closed on Wednesday at $78½ after rising to $84 during a day of heavy trading.

Honeywell's stock price continued to fall yesterday as the company announced that it will reduce its worldwide workforce by 4,000 by a combination of layoffs, attrition and early retirement. The job reduction programme will result in an undetermined charge against fourth quarter earnings, the company said.

Honeywell said it needed to reduce costs in the face of increasing worldwide competition, slower growth in capital spending and low inflation. In other cost cutting moves the company said that salary increases will be severely limited.

In addition, Honeywell said it planned to complete a buyback of up to 5m shares announced in February.

Separately, Honeywell said it will consider the purchase of Sperry aerospace business. In May, Honeywell held preliminary merger talks with Sperry, the company confirmed. Sperry has subsequently been acquired by Burroughs which said last month that it was considering the possible sale of Sperry's aerospace and marine group.

Sperry's torpedo and aircraft guidance systems businesses would complement Honeywell's defence products, analysts noted.

Yesterday's announcements have dissipated rumours of Honeywell's breakup, Wall Street analysts said. They noted, however, that Honeywell is still considered to be undervalued and that a divestment of the company's mainframe computer operations could not be ruled out, although it is probably not imminent.

Aquino threatens 'sword of war' against rebels

BY NANCY DUNNE IN WASHINGTON AND SAMUEL SENOREN IN MANILA

PHILIPPINE President Corazon Aquino, in an emotion packed speech before a joint meeting of the US Congress, said yesterday that if she failed to negotiate peace with Communist guerrillas threatening her country, she would not flinch from "taking up the sword of war."

The fifth woman to address a joint session of the Congress, she told the packed house: "I will not stand by and allow an insurgent leadership to spurn our offer of peace and kill our young soldiers, and threaten our new freedom."

The speech represented a hardening of her position on the issue. Mrs Aquino has been under persistent criticism from senior civilian and military officials in the Philippines for being too lenient in her approach to the long-standing Communist threat to the country's stability.

In her 23-minute speech, interrupted repeatedly by cheers and applause, she proclaimed a new beginning for US-Philippines relations. Referring to her nation's $26bn foreign debt, she was blunt and unapologetic.

"Many conditions imposed on the previous Government that was the source of this debt continue to be imposed on us, who never benefited from it... Ours must have been the cheapest revolution ever.

"With little help from others, we Filipinos fulfilled the first and most difficult condition of the debt renegotiation – the full restoration of democracy and responsible Government."

The timing of her speech could not have been better, given that her visit to the US was marked by concern among conservative politicians about her vacillation over the future of two major US military bases in the Philippines after the US lease expires in 1991.

Shortly after her address, it was learned that a 50-member commission which is writing the new Philippines constitution had voted to allow the US to maintain its bases at least until the lease expires. The Commission also rejected a proposal by nationalist-oriented commissioners to declare the Philippines a "neutral and nuclear-free" area.

The vote on the bases, which came hours after President Ronald Reagan handed over a cheque for $100m in economic aid and another $50m in military assistance represented a major victory for the Philippine leader.

After 1991, the fate of the bases will be discussed in a new treaty which will require the approval of a bicameral legislature whose establishment is being provided in the proposed new constitution.

In her speech, Mrs Aquino spoke movingly of her late husband, Mr Benigno Aquino, who was murdered two years ago after returning to the Philippines and called him the "sacrifice that answered (the nation's) prayers for freedom."

Purity ruling on beer brews up a storm

By Quentin Peel in Brussels

JUST in time to strike horror into the hearts of hardened beer-drinkers at Munich's annual Oktoberfest, the advocate-general of the European Court of Justice yesterday called into question the purity laws protecting West German brews.

In a weighty opinion likely to cause a political furore in the Federal Republic, Sir Gordon Slynn declared that the West German Government was breaking the rules of the European Community by keeping foreign beers away from its bars.

He challenged the laws which date right back to a Bavarian edict of 1516 – the so-called *Reinheitsgebot* – and insist that beer can contain nothing more than malted barley, yeast, hops and water.

Sir Gordon disputed not only the froth but also the substance of the German arguments, that the health of the German beer-drinker could be disastrously affected by allowing foreign brews containing other additives on to the market.

Bonn's lawyers had argued in court that the foaming tankards downed in such quantities from Bremen to Bavaria constituted a staple food for the average German male – making up as much as 26.7 per cent of his daily nutritional intake. To allow additives would be a real health risk, they said.

Sir Gordon agreed that additives in food and drink could indeed be taken to excess. This time, however, he thought the argument went too far.

The advocate-general, whose opinions usually are followed in the final judgment of the Court, backed the case of the European Commission, which charged West Germany with using its purity laws to protect its brewing industry.

He rejected the German argument, that beer was not a generic term, as untenable.

In language perfectly unintelligible to the average drinker, he said: "The beverage resulting from the alcoholic fermentation of an aqueous extract of cereal grains with the addition of hops is known – everywhere in the Community as 'beer'."

His conclusion was that West Germany must cease to use its beer and food laws to keep out noxious foreign brews, but allow in products which conformed with the laws of other member states. That opinion is entirely in line with another classic judgement of the cocktail circuit – the so-called Cassis de Dijon ruling that opened up the market for French blackcurrant liquor.

The issue is one which arouses furious passions on the far bank of the Rhine, and could well be turned into a sparkling election issue.

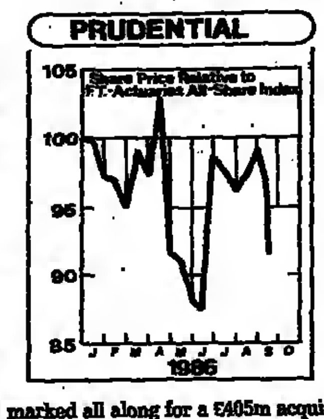
THE LEX COLUMN

The rewards of Courage

Fortune favours the brave, but Courage, it seems, goes to the prudent: in paying £1.4bn for the ex-Imperial brewing and wines and spirits business, Mr John Elliott has opted for the smaller, safer and more expensive of two ways to break into UK brewing. In the process he has paid a handsome compliment to Allied-Lyons, which has fought a classic takeover defence, driving its share price out of reach by dangling before the market the best part of another £100m in organic and acquired profit. Elders was simply not prepared to gear up and pay almost £3bn with only an evens chance of success.

Elders has paid a multiple of earnings that would have valued Allied at over £3.5bn. If the cash and free trade loans within Courage are taken out of the purchase price, the prospective *multiple looks more* like 16 times – but with efficient *brewing-plant offering none of* the immediate cost-savings first identified at Allied. *Not surprisingly*, Hanson has obliged Elders to pay a *market price for the pubs it needs* to double the distribution of Fosters lager in the UK and a *brewing* base in the Northern Hemisphere. But *Elders would not be Elders if it* could not reduce its capital employed, *whether from selling equity* in the pubs or whatever. UK brewing will never be the *same* again: a Brewers' Society that includes both *Mr Elliott and Mr Ernest Saunders* may have conflicting views about *the sanctity of the brewers' tie*.

For Hanson Trust, and its broker, *the deal is an astonishing coup*. Hanson has spent just £1bn for the *remaining* Imperial business that should make about £200m before tax. *What Hanson can now do with* its reconstructed balance-sheet *makes Elders' ambitions look rath*er humdrum. Merely by gearing up *on its equity* to the level of the Imperial deal, Hanson could make an *acquisition of £4bn or $6bn*. In truth, Hanson is just a heart-beat *(or a loan-stock conversion) away* from ICI.



Prudential/Jackson

The Prudential could probably have spent £360m simply on mopping up the few independent estate agents that are left in Britain. But it seems that the proceeds of the Pru's rights issue were more or less earmarked all along for a £405m acquisition in its core business of life assurance, and a leap into the US. The chief attractions of Jackson National Life – which ranked 60th in the US for premium income last year – are its exceptional growth record and its efficiency. Jackson has developed a stream of successful life products, achieving a 10-fold increase in revenues over the past five years; it has nevertheless kept its expense ratio down to a remarkable 38 per cent of the industry norm.

The purchase is not, however, being carried through on the cheap. Jackson's management is recommending acceptance at $51 per share, which is $20 over the market price on Monday. On last year's tax rate, if Jackson succeeds in doubling its 50 per cent growth of the first half, the price is probably something more than 17 times this year's net earnings. Whether that is expensive for the Pru's shareholders will also depend on the impact of forthcoming US tax reform; if the changes help Jackson's business growth more they damage its tax-shelters, any dilution should have washed out by the end of 1987.

ICI

The City's simple idea of ICI is of two businesses. One *"exciting ICI"* provides the growth, the other "dull ICI" *is capital intensive, sometimes* loss-making and a good reason to keep the *rating down*. That image may vary from the reality, and in *any case improving the rating is not* supposed to be ICI's primary concern *in putting the four* bulk chemical businesses together. But it should be the *effect*. By turning "dull ICI" into a stand-alone company which must find its own cash for reinvestment or go without, ICI removes some of the drag (whether real or imaginary) on "exciting ICI". And when in the good years dull ICI, given the snappier name of Chemicals and Polymers, throws up spare cash, that cash will be handed over. Further, because C&P will be a real company, albeit wholly-owned, ICI will have greater flexibility when C&P's reinvestment crunch comes in the 1990s. If joint ventures are the only way to replace crackers, for example, minority shareholders can be brought in. A stock market spin-off is a more remote possibility.

Meanwhile the thought of cost savings of perhaps £50m a year starting in 1988 might have had less to do with yesterday's share price rise of £¼ to £10⅞ than the pound's fall against the D-Mark. Either method of sharpening ICI's competitive edge is good news.

RTZ

Rio Tinto-Zinc makes great play of the role of currency movements in the 30 per cent decline in net interim profits to £83m. Translation effects have cost these figures £20m at the bottom line by comparison with the first half of 1985. But the effect of a depreciating currency on exports can hardly be bad news for the *operating companies*. The real problem for RTZ is that its oil arm has been savaged by the price collapse while the absence of a cheap, oil-induced economic recovery left metal prices depressed.

It is a mystery how RTZ was able to state its oil and gas earnings at all, *since Lasmo* has yet to declare its first half results. What is clear is *that the obliteration of Scottish oil* and Cornish tin revenues has caused the reemergence *of the old* advance corporation tax problem. *RTZ is quite capable of a major UK* acquisition if it wants to deal with *this issue head on, although gear*ing has crept up to 64 per cent. *RTZ's case is that higher metals* prices and growth from the industrial businesses *means a strong sec*ond half. If that enables RTZ to *make £200m net then the shares*, up 27p at 614, are on a multiple of almost 10. *That looks high enough* in such an uncertain trading environment.

Prudential agrees to acquire US insurance group for £405m

BY DAVID GOODHART IN LONDON

PRUDENTIAL CORPORATION, Britain's largest life assurance company, has made an agreed bid for Michigan-based Jackson National Life Insurance Company, valuing the company at £405m ($608m).

It is the largest acquisition by the Prudential and its first venture into the competitive US life insurance market.

The deal, which needs to be endorsed by two-thirds of Jackson's shareholders, has also soaked up the remainder of the Prudential's £357m rights issue of last May.

The company has been busy transforming its image and functions to stay abreast of the escalating changes in the retailing of financial services. Mr Brian Corby, chief executive, said that a presence in the world's largest life market had been sought for several years.

However, several analysts said that the premium of more than 60 per cent on Jackson's market capitalisation was a high price to pay to enter a turbulent industry facing the imminent uncertainty of the US tax reforms.

Jackson, which sells only fixed-interest-based life assurance in 34 states, is nevertheless one of the fastest growing US insurance companies. Its premium income has risen from $7.1m in 1975 to $548.2m in 1985.

Its pre-tax profit in the first six months of 1986 was $27.4m compared with $18.1m for the same period of 1985.

Mr Brian Medhurst, Prudential's managing director overseas, said that it fitted his requirements as a profitable, well managed company with growth prospects which could also teach the Prudential something about new life assurance products.

There were no plans to change or rationalise the company. The existing management had welcomed a parent which would not trample on them.

Prudential has committed about £100m of its rights issue to the expansion of its estate agency operation, so it will need to borrow more than £50m to complete the Jackson deal. The company has a market capitalisation of over £3bn and funds under management of £21.5m. The Prudential is the 15th largest company in the UK by market capitalisation.

Members of the founding family and senior management of Jackson's have already accepted the deal for their 8 per cent stake and the Prudential has an option on another 2.5m unissued Jackson shares if an offer is made by another company. The senior management will remain with the company.

UK banks punished over role in $200m floater for China

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT, IN LONDON

THE BANK of England has discreetly moved to punish three British banks which defied its wishes and participated in a $200m floating rate note for the Bank of China earlier this year.

In what amounts to a rap across the knuckles with the Old Lady's umbrella, it told the three banks – Barclays, Kleinwort Benson and Standard Chartered – that they would not receive any extra allocation of bonds issued under the UK $4bn floating rate note launched earlier this month.

All three banks took part in the Chinese issue through foreign subsidiaries. The issue itself was led by Deutsche Bank out of Frankfurt following Bank of England objection to its being issued in London. Its concern arises out of the continuing dispute over £61m in Chinese bonds that have been in default since the Communist revolution of 1949.

Extra allocations of unsold paper are standard practice in the Euromarkets when some managers face strong demand. In the event there were no extra allocations under the $4bn floating rate note and the three banks concerned also did not need extra bonds to meet demand from their clients.

That meant the Bank's action was basically technical, and did not cost the three banks any money, but Kleinwort Benson said yesterday that it was taking the signal very seriously.

"We shall do precisely what we are told because when all is said and done the Bank can put us out of business," said Mr Michael Hawkes, chairman.

He said the Bank had asked Kleinwort not to underwrite the Chinese issue out of London. "We had thought we had done exactly what the Bank wished but apparently they expected more."

Now Kleinwort would ask the Bank to clarify its wishes.

Standard Chartered declined all comment but Barclays de Zoete Wedd, the investment banking arm of Barclays, said it had been unaware of the Bank's irritation until the UK floater was launched. Now it had had discussions with the Bank and sorted the matter out.

Gatt overcomes major hurdle in negotiations

By William Dullforce and Ivo Dawnay in Punta del Este

A MAJOR HURDLE to a deal on the terms of a new world trade negotiation was crossed yesterday when Brazil and India agreed to negotiate on the basis of a draft agenda already accepted by a clear majority of the General Agreement on Tariffs and Trade's 92 signatory nations.

Hopes of a successful outcome were further raised when trade officials claimed that the long-standing disagreement over the wording on farm export subsidies and a timetable for the agriculture agenda could be settled shortly.

Despite their concession, Brazil and India continued to oppose the inclusion of trade in services and of other new issues in Gatt without the developed world is insisting on.

The two countries – hardline opponents of an extension of the scope of Gatt – agreed to abandon their own version of the agenda on condition that amendments were made to the majority next. This immediately created a fresh diversion by calling into question issues on which it *had been hoped* controversy could be avoided.

The amendments call for a legal, binding commitment by all countries to desist from taking any new protectionist measures

Belzbergs raise stake in Exco

BY DAVID LASCELLES, BANKING CORRESPONDENT, IN LONDON

FIRST CITY Financial, the Canadian company controlled by the Belzberg family, has raised its stake in Exco, the London financial services group to 9.8 per cent.

This is just short of the 10 per cent level at which the Bank of England's "O'Brien letter" provisions come into effect. These restrict any bank or deposit-taking institution active in the foreign exchange markets from owning 10 per cent or more of a broker in those markets to avoid conflicts of interest. Exco is one of the UK's largest foreign exchange brokers.

Mr Bill Matthews, Exco's chief executive, went to the Bank of England yesterday to seek clarification about First City Financial's status within the terms of the letter, and to ascertain whether the Belzbergs knew of it.

"We assume that the Belzbergs will be in touch with the Bank to attend to this matter," he said after his meeting. "If we are going to get into a conflict, it should be resolved *now rather than later on*."

He wanted to avoid a situation similar to that earlier this year when the Bank barred a proposed *merger between Exco and Morgan* Grenfell, the merchant bank.

The Bank *said last night* that the O'Brien letter was still in effect. But it declined to comment specifically on the Exco case.

The Belzbergs have been steadily raising their stake since May and disclosed a 6.5 per cent interest in August. They have told Exco it is a passive investment. Mr Matthews said that yesterday's increase "had not come as any surprise."

Mr Matthews denied that he was raising the O'Brien issue to prevent the Belzbergs increasing their stake further. "We have always wanted to see the O'Brien letter removed."

Any increase in the Belzberg's stake would also nullify the agreement *between Exco and its largest* shareholder, Tan Sri Khoo Teck Puat, *the Malaysian* businessman, who owns 29 per cent.

French plans for TV dealt a legal blow

By Paul Betts in Paris

THE FRENCH Government's new law to deregulate broadcasting does not contain sufficient anti-trust safeguards, the Constitutional Council ruled yesterday.

The Council, the country's highest legal body with the power to modify legislation without recourse, found several parts of the legislation unconstitutional, although it did not oppose the Government's plan to sell TF-1, the oldest and largest state television network.

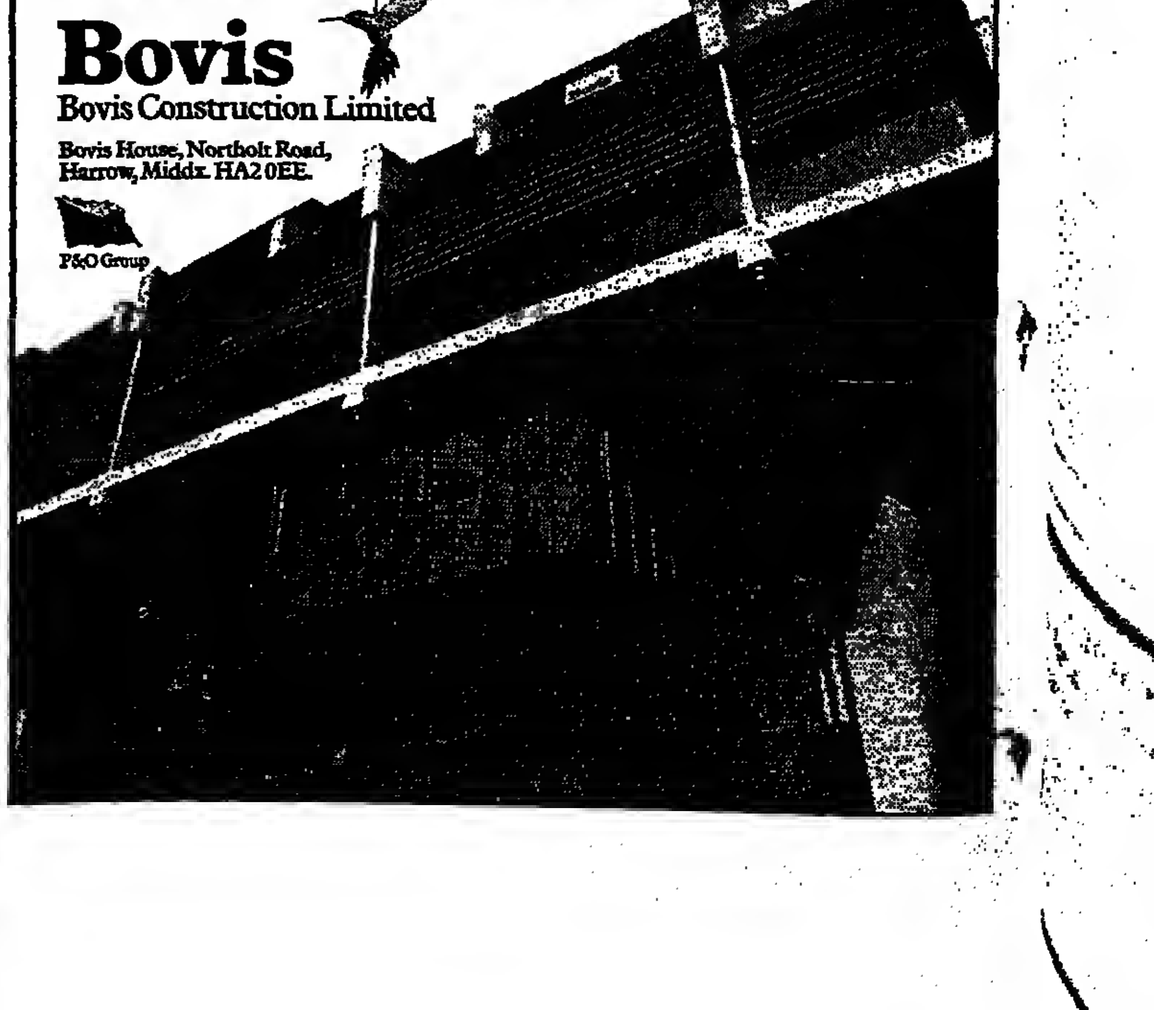
The law was approved by Parliament last month after a marathon and particularly bitter debate which divided not only left and right but the right itself.

The Constitutional Council appeared worried that the deregulated French television industry could fall under the control of a small *group* of influential investors. The Council had raised similar objections of the possible *risks of* the concentration of ownership in the *Government's new press legislation*.

A number of major French communications groups and private investors are now manoeuvering to gain a major stake in the new deregulated television market. They include Mr Robert Hersant, the right-wing newspaper magnate, Mr Francis Bouygues, head of the country's largest construction group, and the Matra-Hachette group.

The latest ruling is another setback for Mr François Leotard, the French culture and communications minister, who has presidential ambitions. It is also likely to spark fresh criticisms from the right-wing majority over the role and course of the Constitutional Council.

Mr Leotard said last night that the ruling by the Constitutional Council would not delay the Government's broadcasting reform. The Government is expected to modify the legislation to satisfy the Council's anti-trust concerns.



World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	27	81	Dubrovnik	S	27	81	Malta	S	29	84	Rhodes	S	28	82
Algiers	S	35	95	Edinburgh	F	11	52	Manchester	F	13	55	Rio de J'o	C	36	97
Amsterdam	F	14	57	Faro	F	24	75	Manila	C	28	82	Rome	R	26	79
Athens	S	28	84	Florence	S	28	82	Melbourne	C	12	54	Salzburg	R	15	59
Bahrain	S	35	95	Frankfurt	C	12	54	Mexico City	S	24	75	San Francisco	C	21	70
Bangkok	S	35	95	Funchal	C	22	72	Miami	C	31	88	Seoul	C	20	68
Barcelona	F	24	75	Geneva	C	21	70	Milan	R	26	79	Singapore	F	30	86
Beirut	—	—	—	Gibraltar	F	25	77	Montreal	C	14	57	Stockholm	F	12	54
Belfast	F	13	55	Glasgow	F	11	52	Moscow	F	15	59	Strasbourg	C	12	54
Belgrade	S	31	88	Guernsey	S	13	55	Munich	C	15	59	Sydney	C	17	63
Berlin	C	12	54	Helsinki	F	11	52	Nairobi	—	—	—	Taipei	R	27	81
Biarritz	C	15	59	H. Kong	S	29	84	Naples	S	30	86	Tangier	—	—	—
Bombay	F	30	86	Innsbruck	R	18	64	Nassau	S	32	90	Tel Aviv	C	32	90
Bordeaux	C	14	57	Inverness	S	12	54	New Delhi	S	35	95	Tenerife	C	27	81
Brussels	S	14	57	Islamabad	S	30	87	New York	C	21	70	Tokyo	C	27	81
Budapest	F	27	81	Istanbul	S	25	77	Nice	F	25	77	Toronto	C	15	59
B. Aires	R	10	50	Jakarta	C	32	90	Nicosia	S	39	102	Tunis	S	33	91
Cairo	R	35	95	Jersey	S	15	59	Oporto	S	23	73	Valencia	C	25	77
Cape Town	F	21	70	Jo'burg	S	23	73	Oslo	S	14	57	Venice	S	26	79
Caracas	C	28	82	Lima	C	19	66	Paris	F	14	57	Vienna	S	18	66
Casablanca	S	26	79	Lisbon	F	21	70	Peking	S	26	79	Warsaw	R	10	50
Chicago	S	28	82	London	F	14	57	Prague	C	10	50	Washington	S	11	52
Cologne	C	13	55	Los Angeles	C	28	84	Reykjavik	F	10	50	Zurich	C	17	63
Copenhagen	F	13	55	Luxembourg	C	10	50								
Corfu	S	29	84	Madrid	C	23	73								
Dallas	F	24	75	Majorca	F	28	84								
Dublin	R	13	55	Malaga	F	25	77								

Readings at mid-day yesterday:

C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

New suitors for CGCT

Continued from Page 1

Telecom of Canada was eliminated from the bidding in July.

The Italtel-Plessey approach may benefit, however, from strong feeling in some parts of the Government that the company taking over CGCT should come from the European Community.

Because the stake would carry with it access to 16 per cent of the French public switching market, AT&T has been strongly resisted by parts of the French administration fearful of opening up the domestic market to a US multinational.

Siemens was once strongly backed as an alternative candidate. But during the last month or so it has fallen out of favour with the French Government and business circles because of the vigour with which it has been trying to link the outcome of the CGCT affair to German backing for the telecommunications link up between Compagnie Générale d'Electricité and International Telphone and Telegraph of the US.

CGCT, which lost *FFr 200m* last year on sales of FFr 2.77bn, said last night it was unaware of the Italtel approach but said it was "flattered" that the number of suitors appeared to be growing.

Mrs Marisa Bellisario, Italtel's managing director, said yesterday that the Italtel offer, which has the full backing of the Italian Government, had been launched as a direct result of the "events of this past summer" which has seen the joint venture between CGE and ITT.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Friday September 19 1986

Union Pacific in $1.2bn truck company takeover

BY ANATOLE KALETSKY IN NEW YORK

UNION PACIFIC, the large US railroad and energy company which operates between Chicago, California and Texas, is taking over Overnite Transportation, a major East Coast trucking operator, in an agreed cash transaction worth $1.2bn.

The acquisition appears to be the first positive step in a corporate restructuring of Union Pacific being masterminded by Mr Drew Lewis, the former US Transportation Secretary and corporate turnround expert who took over as the railroad's chief executive this summer.

In June Union Pacific laid the foundations for this restructuring when it announced huge writeoffs, accompanied by a share repurchase programme, to cover closures in its energy properties, cutbacks in its labour force and elimination of excess railway equipment.

Although the charges, which totalled $1.7bn in the second quarter, will force the company into losses for the year, they were warmly received by the investment community and helped to improve Union Pacific's lacklustre corporate image.

The acquisition of Overnite, one of the leading road transport operators in the eastern part of the country with a fleet of nearly 5,000 trucks and 9,400 non-unionised employees, suggests that the transportation business will remain the key to Union Pacific's future.

The merger was designed to turn Union Pacific into a "strong national multi-modal transportation company linking all key markets," Mr William Cook, the railway holding company's chairman, said yesterday.

At $43.25 a share, the price paid for Overnite appears to be a high one. Overnite's shares jumped by more than one-third, from $31 to $42.5 as a result of the merger announcement, while Union Pacific declined by 50 cents to $56.25.

Union Pacific's offer of $1.2bn compares with Overnite's 1985 net profit of $39m on revenues of $470m. However, analysts pointed out yesterday that Overnite's profits have been climbing rapidly this year, partly as a result of the benefits from cheaper oil prices. Entry into the road transport business is therefore seen in part as a way of offsetting Union Pacific's exposure to the energy sector.

The merger between the two transport companies requires approval of the Interstate Commerce Commission and Union Pacific said it expects this to be received next year. The Overnite shares acquired by Union Pacific will be deposited in a voting trust pending this approval.

Société Générale profits ahead 18%

By Our Financial Staff

SOCIÉTÉ GÉNÉRALE, the big French commercial bank, says pre-tax operating results rose to FFr 1.1bn ($633m) in the first half of 1986, up 18.6 per cent on the comparable period a year earlier.

The most significant contribution to the gain came from financial operations. Brisk activity in the capital markets and rising commissions on other finance operations has helped push net interest income up 9.9 per cent to FFr 11.16bn, the bank says.

It notes, however, that profit growth has been limited by declining interest rates, which have tended to trim profit margins on loans, especially to corporate sector. During the half-year loans rose to FFr 164.337bn, up 6.3 per cent. Deposits rose 14.4 per cent to FFr 173.161bn.

Société Générale has not released consolidated results. The interim figures apply to France and foreign branches. However, it says for 1986, as a whole the group share of consolidated net income before one-time gains is expected to show a rise of at least 15 per cent from the FFr 1.31 bn of 1985.

Crédit Commercial de France, the French state-owned bank, reports a sharp increase in profits for the first half of this year, fuelled by increasing arbitrage operations and a significant rise in deposits.

However, loan demand slowed and lower interest rates restricted margins on capital operations.

Net attributable consolidated profits for the half year rose to FFr 145.6m from FFr 103m a year earlier. Risk provisions rose by 10 per cent to FFr 552m.

FRANCE'S BIGGEST OIL GROUP PAVES WAY FOR PRIVATISATIONS

Elf share sale to raise FFr 4bn

BY DAVID MARSH IN PARIS

THE FRENCH Government is preparing to raise around FFr 4bn ($602m) from the sale of part of its majority stake in Elf Aquitaine, the country's biggest oil group.

Although the exact timing and details of the operation have not yet been decided, French banks are working on bringing the sale to the capital markets possibly before the end of the month.

The share sale will reduce the stake of Erap, the state-owned energy holding company, in Elf from its present level of 67 per cent to just over 50 per cent.

Announced in principle earlier this summer as a means of raising extra revenue for the Government and also paving the way for its mainstream privatisation programme, the share sale is seen by the French bourse as a valuable test of the market's absorption capacity.

The timetable for the first wave of outright privatisation sales – under which the Government will sell off completely its stakes in nationalised enterprises – has now been worked out and Saint Gobain, the pipe-making and glass group, is scheduled for the first denationalisation in December.

The sale of part of the Erap stake in Elf has been affected by uncertainties surrounding the Elf share price, hit by the recent Paris bourse downturn as well as the slide in oil prices.

However, the Paris bourse recovery this week now appears to have made the Government more confident about arranging the sale.

The Erap share sale could be followed swiftly by at least an initial tranche of a major operation by Elf to raise equity-related capital on both the French and foreign financial markets.

At the beginning of the month Elf was given authorisation to raise up to FFr 10bn through a range of diverse securities market operations including convertible bond issues.

Foreign shareholders are expected to participate in both the Erap share flotation and the subsequent Elf operation to raise new capital. The French Government, however, announced this week that it would keep a "golden share" in Elf, giving the Finance Minister the right during a five-year period to veto any purchase by an individual shareholder of more than 10 per cent in Elf.

Miami cable television group put on sale for $350m

BY WILLIAM HALL IN NEW YORK

WOMETCO Cable TV, a medium-sized cable TV company which went private in late 1983, has been put up for sale for a price expected to be over $350m.

The Miami-based company, which operates 41 cable TV systems serving more than 350,000 subscribers mainly in the sun-belt states of the US, said yesterday that it had retained the investment banking firm of Shearson Lehman Brothers to "assist in evaluating opportunities for the sale of the company."

Wometco Cable TV is an independent, privately-owned company affiliated to entities organised by Kohlberg, Kravis, Roberts (KKR), a firm which specialises in taking public companies private and financing the deals primarily by debt. Wometco Enterprises, parent company of the cable TV business, went private in late 1983 in a deal worth nearly $1bn.

Wometco was founded in 1925 and is a leisure company with interests in cable TV, television broadcasting, subscription TV, Coca-Cola bottling and automatic vending and entertainment machines. It had revenues in 1982 of $493m and Wometco Cable TV had revenues of $46m.

Early last year the soft drink bottling business was sold to Coca-Cola bottling for $300m. The cable tv business has grown considerably since the company went private with the number of subscribers increasing from 260,000 to 350,000, located primarily to Georgia, North Carolina, South Carolina, Louisiana and West Virginia.

Prices of cable TV stations have risen in recent years, reflecting their increasing importance in the US broadcasting industry. In June, Westinghouse Electric completed the sale of its group W cable TV business for $1.7bn. Group W is the third biggest US cable TV group.

When cable TV stations change hands the price tends to be calculated per subscriber. In the case of Group W, the value was $1,050 per subscriber. However, some analysts estimate that values could be considerably higher for other cable TV franchises.

KKR's decision to try to liquidate its less than three-year-old investment fits into an increasingly common pattern in the US. Several specialist investment banking firms which arranged leveraged buy-outs of companies over the last three years are now taking their profits on the deals by either floating them on the stock market or selling them to third parties.

Motorola launches 32-bit superchip

MOTOROLA, the US electronics and semiconductor group, has introduced the MC68030 32-bit superchip, which it said offers twice the performance of the industry leading 32-bit.

It said the new superchip performs at an average speed of about 8m instructions a second, nearly double that of Digital Equipment Corporation's (DEC) Vax 8600 super minicomputer.

It said the MC68030 was the first single-chip microprocessor to use the Harvard-style parallel architectur found in supercomputers.

The company said production should start in March and pricing has not yet been set.

□ MACK TRUCKS, Pennsylvania truck group, is to take a $33.7m pre-tax charge against third-quarter results to cover costs of a previously announced early retirement programme for non-union employees.

It said about 700 employees had accepted its offer, which was designed to reduce its non-union employment by at least 10 per cent. An associated restructuring of its organisation should be completed by the end of the year.

□ HOME OIL has made the first significant deep oil find in Saskatchewan, North Tableland 8–22, drilled to 8,560 ft six miles west of Estevan, in the Canadian province. Testing has shown the well can produce at least 1,000 barrels a day of 36.5 deg API gravity oil, water-free.

The company, a subsidiary of Hiram Walker Resources, will carry out further drilling to confirm the size of the reservoir

□ THE US FEDERAL Communications Commission (FCC) has asked CBS, the US broadcasting group, for a response to charges that a recent change in management led to transfer of control of its broadcasting licences without prior FCC approval.

The FCC investigation stems from the forced resignation last week of Mr Thomas Wyman as chairman in a move that brought large CBS shareholder Mr Laurence Tisch into the position of chief executive officer.

Banque Misr shows strong yearly growth

By Tony Walker in Cairo

BANQUE MISR, the large Egyptian public sector commercial bank, returned net profits of E£40.5m ($30m) in 1984-85 after substantial provisions for bad debts. Provisions increased by E£75.9m or 37.4 per cent to E£277.5m in 1984-85.

Banque Misr is one of four large public sector banks that dominates Egyptian banking. Dr Nabil Ibrahim, chairman, was satisfied with the latest published results. He said they reflected continuing strong growth in the bank's activities in spite of Egypt's economic difficulties.

Dr Ibrahim blamed the large doubtful loan provisions on currency fluctuations that had caused some importers to sustain big losses.

Profits before taxes and provisions totalled E£158.9m.

Bousteadco losses widen in first half

BOUSTEADCO Singapore, a diversified trading group, said its group after-tax loss grew to S$2.1m in the first six months of 1986 from a loss of S$589,000 in the same period a year earlier, AP-DJ reports from Singapore.

The company said, however, that it expects to return to profitability in the second half of the year following rationalisation measures.

The after-tax loss was increased by an extraordinary loss of S$900,000, most of it from the disposal of an Australian investment. The rest arose from the closure of other operations and turnover in the Jan–June period fell 5.9 per cent to S$40.3m.

The group said its operating loss widened to S$907,000 from S$490,000 in the same period, while investment and other income dropped to S$303,000 from S$473,000.

Bousteadco also said the rationalisation programme had led to a reduction in the group's borrowings to S$21m from S$27.3m at the end of 1985.

The company said its lending position would be improved further by the proceeds from the sale for S$3.8m of investment in Boustead Premet Australia.

Western Pacific to go private for $360m

BY OUR FINANCIAL STAFF

WESTERN PACIFIC Industries, a New York City producer of counting devices, fasteners and industrial precision components, is set to go private in a deal valuing the company at about $360m.

The company, which has had an erratic earnings record over the past five years, has signed a letter of intent under which an investment group led by Gibbons, Green, van Amerongen, a private investment banking firm, has offered to acquire Western's outstanding stock at $155 per share.

The company's shares, quoted on the New York Stock Exchange, jumped by $20 to $154¼ in early trading yesterday.

The company said that certain members of management would be members of the investor group. However, this did not include Mr Howard Newman, chairman and chief executive and a major shareholder.

The transaction is subject to the purchaser completing financing agreements and the signing of a definitive merger agreement. Completion of the deal is expected before the end of the year.

Western, which has 19 manufacturing and office facilities in the US and worldwide, recorded net income of $26.2m last year on sales of $168m compared with $41.1m and $167m respectively a year earlier. About 58 per cent of sales and 59 per cent of profits came last year from its Veeder-Root unit, a major supplier of counting, controlling and recording devices.

SIP announces funding move

BY JOHN WYLES IN ROME

SIP, the Italian state telephone and telecommunications company, yesterday announced a L400bn ($286.1m) increase in its share capital to finance future development.

The new financing will be in the form of a L120bn scrip issue and a L240bn issue of new shares to existing shareholders. The company's total issued capital would rise to L3,400bn. Some 65.5 per cent of Sip is owned by Stet, an IRI financial holding company.

In its first half report, Sip said yesterday that gross profits had reached L1,700bn, a 16.6 per cent increase, while total investments had risen by 8.3 per cent to L1,929bn.

Amer sells sports unit for FM 105m

By Olli Virtanen in Helsinki

AMER GROUP, the Finnish company with interests in car imports, tobacco, clothing and communications industries, has sold its unprofitable sports goods division to the Finnish company, Karhu-Titan, for FM 105m ($21m).

The deal will create the world's largest manufacturer of ice hockey sticks with annual production of 3m. Karhu-Titan will also make other ice hockey equipment.

Shortly before the deal Amer decided to shut down its two Canadian manufacturing subsidiaries and gave notice to all 250 employees. The deal concerns only its two remaining plants in Finland. Karhu-Titan has manufacturing units in Finland, Sweden and Canada.

The combined net sales of Karhu-Titan's ice sport business will amount to FM 205m this year. Its other business activities, including ski manufacturing, will bring the total net sales to FM 455m this year.

Amer has agreed to subscribe new shares of Karhu-Titan for FM 16m. This will give Amer a 20 per cent share in Karhu-Titan.

Preliminary results of the Amer Group for the financial year ending in August show the profit before taxes up 37 per cent at FM 185m. Turnover for the period rose by 19 per cent to FM 2,970m.

IBM announces price cuts to boost sales

BY LOUISE KEHOE IN SAN FRANCISCO

IBM yesterday announced price cuts and improvements on its range of high performance "RISC-technology" personal computers (RT PC), which are primarily used as engineering work-stations.

Sales of the IBM RT PC have been sluggish, according to US industry analysts, who see the price cuts as a move to boost PC RT sales and to make the IBM work stations more competitive, with products offered by companies such as Sun Microsystems and Convergent Technologies.

Unlike IBM's other personal computers, the RT PC is based on proprietary IBM technology. It does not use the Intel microprocessor/Microsoft operating system combination that has been popularised by IBM's standard personal computers and "cloned" by dozens of other manufacturers.

IBM also announced a new higher performance version of the RT PC that increases the external storage capacity of the computer by a factor of 25, doubles the internal memory and doubles the number of users that can simultaneously work on the computer to 16.

Price reductions on current models range from 20 to 32 per cent. For example, the price of a desk top IBM RT PC was reduced from $11,700 to $7,900. A mid-range model was cut from $14,945 to $11,900. In addition, the company dropped the price of the RT PC operating system software by 32 per cent to $2,295.

Separately, IBM announced the extension of its Systems Network Architecture (SNA) network management capability to include non-SNA devices from IBM and other manufacturers. New software programmes will enable personal computers, private branch telephone exchange systems and other non-IBM computers to be included in the network management system.

US group in $260m takeover

AMERICAN Home Products, the drugs, food and household products group, has signed an agreement to acquire Chesebrough-Pond's hospital products division for $260m, AP-DJ reports from New York.

Mr John Culligan, chairman and chief executive of American Home Products, said the acquisition was "an excellent fit with our Sherwood medical division."

Chesebrough's interests include cosmetics, toiletries, packaged foods and clothing.

Earnings flat at Rhône

By Paul Betts in Paris

RHÔNE-POULENC, the large nationalised French chemicals group due to be privatised by the conservative Government, yesterday reported unchanged first-half earnings of FFr 1bn ($150m).

The group's cash flow declined slightly to FFr 2.4bn in the first six months compared with FFr 2.6bn in the same period last year. Sales were also lower at FFr 27.89bn compared with FFr 28.85bn in the first half of last year.

INTL. COMPANIES and FINANCE

Telefonica plans to withdraw from venture with Ericsson

BY DAVID WHITE IN MADRID

TELEFONICA of Spain has started "conversations" with Ericsson of Sweden on pulling out of their joint manufacturing venture, the semi-state Spanish telecommunications company said yesterday.

Compania Telefonica Nacional de Espana holds 49 per cent of the joint venture, Industrias de Telecommunicacion (Intelsa), which makes public and private telephone exchanges, telex and other equipment. L.M. Ericsson holds the remaining 51 per cent.

The planned withdrawal forms part of a new Telefonica policy which involves shedding some of its holdings in established supplier companies. Telefonica also wants to pull out as a direct shareholder of ITT subsidiaries in Spain if and when it becomes part of the planned new grouping formed by ITT and Compagnie Générale d'Electricité (CGE) on France.

The future of ITT's main Spanish operation, Standard Electrica, in which Telefonica holds just over 20 per cent, and its sister company, Marconi Espanola, is to be negotiated in a special working group between Telefonica and CGE.

This group, based in Madrid, is one of two special commissions agreed on in talks this week between the two chairmen, Mr Luis Solana and Mr Pierre Suard. The other commission, due to meet in Paris, will discuss the organisation of the planned CGE-led venture, Eurotel, in which Telefonica initially said it would take a 10 per cent stake.

Mr Solana has been trying to redefine Telefonica's commitment to the manufacturing side of the business, replacing the idea of a rigid group by that of a "revolving holding company." This means taking part in new ventures while spinning off its interests in companies once they have become sufficiently large and competitive. Its first move in this direction was to open up the capital of a telephone supplies company, Amper, the shares of which were introduced on the stock market earlier this year.

The Swedish-controlled Intelsa, set up in 1970, is the third largest producer of telecommunications equipment in Spain, after the ITT offshoot Standard Electrica and Telefonica's subsidiary Sintel. Last year it had sales of Pta 12.42bn ($94m), including Pta 680m of exports, and produced a net profit of Pta 1.52bn. About 65 per cent of its sales are to Telefonica.

East Asiatic seen improving

By Hilary Barnes in Copenhagen

EAST ASIATIC, the large Danish international trading and industrial group, is on target to increase net profits from DKr 201m last year to DKr 250m ($32.8m).

First-half sales and gross operating profits were down, however, reflecting the effect of conversions to kroner of dollar sales and disposal of subsidiaries.

Sales fell from DKr 9.2bn last year to DKr 6.9bn and gross operating profits from DKr 2.1bn to DKr 1.6bn. However, as a percentage of sales, operating profits increased from 22.7 per cent to 23 per cent.

Schindler fall in sales due to exchange rate

BY JOHN WICKS IN ZURICH

SCHINDLER, the Swiss engineering company, announced a 1.2 per cent drop in group sales for the first half of this year to SFr 873.8m ($533m).

This was due solely to the exchange-rate situation. Increases in turnover in terms of local currency were high enough almost to offset a 15.3 per cent negative influence from the higher Swiss franc.

Currency developments showed up much more clearly in group figures for new orders. These were down by 8.1 per cent on the first six months of 1985 to SFr 984.4m. Within this total, orders for lifts and escalators dropped 15.4 per cent to SFr 803.0m, while those for other products jumped 48.4 per cent thanks to a major Swiss railways order for rolling stock.

Forbo, of Zurich, is to take over a majority stake in the West German laminates producer Resopal Werk H. Roemmler from the Mannheim subsidiary of the Swiss Brown Boveri group.

The transaction, for which no price has been disclosed, foresees an option for Forbo to take over the balance of ownership in Resopal.

Coca-Cola hopes to sell off interests to SA blacks

By William Hall in New York

COCA-COLA, the world's biggest soft drinks company which is pulling out of South Africa, plans to sell some of its bottling and canning operations to black South African investors.

Mr Donald Keough, president of Coca-Cola, said the company has been reducing its investment in South Africa since 1976 and has now decided to sell its remaining interests there.

However, he stressed that Coca-Cola intended to disinvest "in a way that creates significant, multi-racial equity participation in the South African soft drink industry."

"Our goal is to structure the transactions in a way that improves the prospects of black South Africans and increases their ability to invest in their country's economy," said Mr Keough.

The company's decision to "complete the process of disinvestment is a statement of our opposition to apartheid and of our support for the economic aspirations of black South Africans."

South Africans would still be able to buy Coca-Cola, but the secret Coca-Cola syrup would probably be supplied from one of the group's non-US operations, he added.

Details of the sale of the company's remaining South African holdings are being worked out.

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

World securities trading slips from regulators' grip

BY JOHN PLENDER

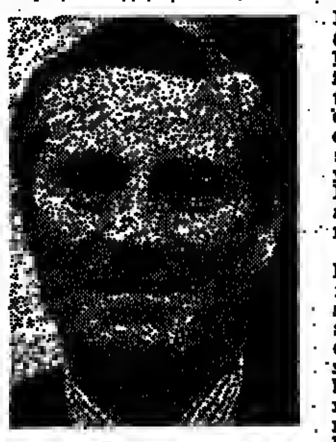
THE RAPID internationalisation of securities trading has left the regulatory authorities for the world's main stock markets a long way behind events. Hence the importance attached to a memorandum of understanding governing the exchange of regulatory information between Britain and the US, due to be signed early next week.

The main focus of the memorandum is the conduct of participants in the securities markets, reflecting the powerful American preoccupation with insider trading. It is expected to define the circumstances and methods in which requests can be made for exchanges of information. Although the memorandum touches on delicate issues of sovereignty, its scope is more ambitious than that of other bilateral agreements such as those between the US and Japan.

There is, however, a growing awareness of the need for international co-operation on a wider range of issues, including those relating to the stability of the financial system. As a committee of central bankers under Mr Sam Cross of the New York Federal Reserve pointed out in an authoritative report on financial innovation earlier this year, the banking system is handling a declining proportion of the financial flows in the world economy. The result is that central banks know less about what is going on and their prudential supervision inevitably risks becoming less effective.

Supervisory authorities in the main securities markets, meanwhile, have traditionally been less concerned with systemic problems than central bankers. There is no securities equivalent of the Cooke Committee of the Bank for International Settlements, which acts as a multilateral forum for deliberations on prudential supervision. Nor have the world's leading exchange's operated lender-of-last-resort facilities, since the collapse of broking and market-making firms has not, in the past, been seen as a potential threat to financial stability.

The growing inter-relationship between banking and securities markets, which has been strongly reinforced in London by the move towards conglomeration before the Big Bang, has caused central bankers to worry about the capital adequacy and illiquidity of securities firms. Advanced technology permits the biggest securities houses to rotate positions in equities and bonds across time zones around the world. Yet no central bank or securities regulator knows the extent to which these positions are backed by capital. By definition there is no close of business report in 24-hour trading.



Leigh-Pemberton: warns on multilateral approach

The chief concerns being voiced by central bank officials therefore include:

- the danger of a non-bank collapse arising from fluctuations in the markets, in which contagion spreads to the banking system;
- the need for harmonisation of clearing and settlement mechanisms to prevent any threat to the payment system; and
- the need to promote orderly markets.

As yet, however, there is no international agenda or adequate forum in which to discuss the issues.

The International Association of Securities Commissions, whose original membership was confined to North and South America, now takes in a number of European and other countries. The SEC clearly regards it as a potentially useful body to foster international co-operation. But its already large membership (though there are significant absentees) makes it cumbersome and the secretariat is small.

Different legal and regulatory pose bureaucratic difficulties as well as problems of harmonisation.

In a speech this week, Mr Robin Leigh-Pemberton, the Governor of the Bank of England, acknowledged that international co-operation between securities regulators on capital adequacy and co-ordination between banking and securities supervisors did not yet exist to any useful extent. He warned that a multilateral approach is unlikely to make rapid progress.

Even with a bilateral or trilateral approach, however, there is a difficult balance to be struck on capital adequacy. If all regulators insist on separate capitalisation of securities subsidiaries, of the kind required by the Bank of England in the new gilt-edged market, international conglomerates will be hampered by excessive capital requirements.

Part of the purpose of financial conglomeration is to achieve an efficient deployment of capital and a diversification of risk. "It is important," said Mr Leigh-Pemberton, "that individual supervisors try to give appropriate credit to conglomerates which can demonstrate success in reducing and controlling risk by *sophisticated portfolio composition* and diversification techniques."

Although the Bank of England has had some input into the new US-UK memorandum, these issues are not a conspicuous feature of the agreement. Hence Mr Leigh-Pemberton's call for co-operation.

Hans-Joerg Rudloff—elevated at a stroke

Credit Suisse management post for Rudloff

By Our Euromarkets Correspondent

HANS-JOERG Rudloff, deputy chairman of Credit Suisse First Boston, has been appointed a general manager at Credit Suisse, one of the London Eurobond house's joint owners.

Mr Rudloff, a German national aged 46, is thus elevated at a stroke to a rank in the Swiss bank's management to which foreigners could not normally aspire. The move also underlines the determination of CSFB to gear up for the increasing globalisation of international securities markets.

Mr Rudloff will be responsible for the domestic and international securities business of Credit Suisse when he takes up his new position on January 1 next year. He will retain his present role at CSFB.

Mr Jack Hennessy, chairman of CSFB said yesterday: "We felt it was essential to find integrating mechanisms without changing the legal structure (of CSFB)."

He noted that Mr Rudloff's new dual role will provide a bridge between CSFB's Eurobond business and the Swiss franc bond market as well as the commercial banking business of Credit Suisse. Both considerations are important because of the currency and interest rate swaps which now underly the majority of international capital market issues.

Market makers to discuss draft rules today

By Alexander Nicoll

EUROBOND market makers will today resume a debate on controversial proposals for self-regulatory dealing rules. They will meet in London under the auspices of the Association of International Bond Dealers.

The plans have been completely redrafted since a meeting of 120 market making firms in July. General support was given then to the concept of having rules, but the most radical suggestion was thrown out.

The rules, if approved, will establish a register of reporting dealers who will be committed to basic obligations on such matters as trading hours, minimum lists of bonds on which they quote prices, and on disclosure of closing prices.

Though they have been drawn up separately from the imposition of a new self-regulatory structure now under way in British securities markets, they could be a step towards the Eurobond market's compliance with new rules.

After rejecting a proposal that identities of parties to deals done through brokers be disclosed, the market makers will vote today on a compromise solution under which the brokers could be subject to audits if they were *suspected of dealing with customers* other than the market makers.

Bonds shake off their lethargy

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

THE EUROBOND market recovered from its lethargy of earlier in the week with a total of $350m in new fixed-rate paper on offer yesterday, though most of it was helped by speciality appeal.

Dealers said that the more stable tone of the markets over the last two or three day had seen some investors nibbling away at cheaper priced paper, but the overall tone is still fragile with secondary market prices turning slightly weaker in afternoon dealings yesterday after a firmer opening.

First off the mark was Union Bank of Switzerland with a $150m, three-year deal carrying a coupon of 7 per cent and led by its UBS (Securities) subsidiary.

UBS issues have a reputation for going well because of the bank's large placing power with portfolio investors in Switzerland, but this deal, which is priced at 101, incorporates a large management group in an effort to secure wide distribution.

Market opinion over the breadth of demand for the paper was mixed. It was issued at a net margin of 40 basis points over the equivalent US Treasury bond, but there was little doubting the success of the deal which traded at a discount of around ½ points yesterday afternoon compared with its 1¼ per cent fees. The bond will refinance an earlier 11 per cent issue due 1989 which is being called at 100⅞ per cent.

Two other fixed-rate issues in the dollar market were carefully structured with 8 per cent coupons and premium pricing. This is the type of structure that appeals to Japanese investors, and bankers said the 8 per cent coupon gave a certain psychological boost.

They included a $100m, seven-year issue for DKB Asia priced at 101½ per cent and led by Dai-Ichi Kangyo International. The terms made for a margin of 77 basis points over US Treasuries and the paper traded well within its 1⅞ per cent fees.

The other was for Banque Indosuez. This is a five-year deal priced at 102 and led by Morgan Stanley, which said the paper had been preplaced in the Far East so that no trading level was available.

The floating-rate note market has also been showing signs of recovery this week and Chrysler Financial took advantage of this yesterday with a $300m, three-year issue of which $100m is being held back as a tap. The issue, led by Banque Paribas, carries a margin of ⅛ per cent over the six month London interbank offered rate and issue price par.

Earlier this week Chrysler was upgraded to a single A credit rating from BBB plus by Fitch, the US rating agency, but investors found the terms of yesterday's issue rather tight. Last week the borrower activated a tap on an earlier floater with 4½ years to run and a margin of ⅛ per cent, and that made yesterday's issue appear rather tight.

Banque Paribas quoted the issue within its 20 basis point total fees, but some bankers said they detected lead manager support.

Yesterday also saw a flurry of activity in other currencies with issues in yen, Australian dollars and Canadian currency.

UBS (Securities) launched a C$75m, five year, 9½ per cent issue at 100½ for Asea, the Swedish robotics manufacturer, which carries an additional C$50m tap. Asea is a highly-rated name and popular with Swiss investors. Nonetheless some bankers predicted a relatively slow progress for this deal in keeping with the traditionally retail-orientated Canadian dollar market.

ANZ Merchant Bank launched an A$35m, five-year issue for Badische Kommunale Landesbank of West Germany. This is the first Eurobond ANZ has led and it carries a coupon of 14⅜ per cent with issue price 101½. Bayerische Landesbank meanwhile launched a Y10bn, six-year, 5⅛ per cent deal at 117.066 per cent through Tokai International.

D-mark issues were very firm yesterday in line with the strengthening currency on exchange markets. Euro-issues rose by up to ½ point in places, but no new bonds were launched. Swiss issues were little changed in low turnover.

BankAmerica's 3⅝ per cent issue rose by 2 points on Wednesday's close to finish at 87 after support from the borrower's Swiss subsidiary.

BP Canadian launched a SFr 119m, 10-year 4⅝ per cent issue at 99⅞ per cent through UBS, while American Eagle Petroleums of Alberta is raising SFr 30m through an eight-year dual currency convertible bond led by Chemical New York Capital Market Corporation. The indicated coupon is 7½ per cent and conversion premium will be in the range of 12 to 15 per cent. Final pricing will be on September 30.

Outokumpu, the Finnish mining company, launched a LuxFr 300m, five-year, 7½ per cent issue at par through Banque Generale.

AIG and Salomon in insurance venture

BY WILLIAM HALL IN NEW YORK

AMERICAN International Group (AIG), the big US insurance company, and Salomon Brothers, the Wall Street brokerage firm, are planning to issue tax-exempt bonds in a bid to help the growing number of US local authorities which cannot obtain adequate insurance cover.

The move is believed to be the the first that a Wall Street investment bank has been called in to help solve the growing shortage of insurance cover. If successful, it could prove a useful source of new capital for the US insurance industry. It is also a new example of the rapid growth of securitising various aspects of the US financial markets.

AIG risk management and Salomon Brothers have formed a joint venture which will structure self-insurance programmes for municipal clients. AIG will provide the insurance know-how, while Salomon will sell tax-exempt obligations to investors in the form of bonds or certificates of participation. The proceeds from the bond sales will be deposited in a trust, which will fund insurance reserves.

Mr Joseph Smetana, president of AIG Risk Management, says that the programme was developed to meet the needs of municipalities with difficulty in obtaining liability insurance and other types of cover. He said that the group programmes will enable large local governments, school districts and counties to manage their own self-insurance programmes and would help ensure the continued availability of police protection, transportation and other essential services.

Municipalities in the US have been finding increasing difficulty in securing adequate insurance coverage, and there has been a growing trend for them to assume the risk themselves. Mr Smetana says that the unique twist in the latest venture is that "we are talking about floating tax-exempt bonds to capitalise the self-insurance fund and the bonds will be amortised over 10 to 20 years, so that you can spread the impact over a longer period of time."

Mr Smetana says that his firm had been getting a lot of calls from municipalities which were having trouble getting cover. Salomon, which is one of the biggest firms in the municipal bond market, had found that whenever it went to talk to customers about raising funds they were more interested in discussing their problems in getting adequate insurance cover.

He says that half a dozen potential customers have shown interest in the scheme and the amounts of money involved range from $20m to $200m. The first issue could come as early as one or two months from now.

AIG risk management's role is to identify preferred levels of insurance cover and limits of liability for municipal clients, and design a self-insurance programme that includes individual premium costs. The premiums will be placed in a trust fund and managed by Salomon Brothers.

Salomon will form a strategy for issuing tax-exempt obligations in conjunction with a re-investment programme. This *will fund initial capital requirements*, and minimise the participant's payments into the programme. Salomon Brothers will also address the legal and tax considerations, as well as the recommended amount and timing of financing.

FT INTERNATIONAL BOND SERVICE

Listed are the 200 latest international bonds for which there is an adequate secondary market.

Closing prices on September 18

US DOLLAR STRAIGHTS

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amoco Co. 9¼ 16	200	103¾	104	+0¼	+0¼	9.37
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amer. Ex. OS Cr. 0 91 A$	100	95	95½	+0¼	+0¼	13.85
Bremer Ldsbk. 12½ 91 A$	30	[illegible]	[illegible]	[illegible]	[illegible]	13.34
Fiat Finance 14½ 89 A$	50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK STRAIGHTS

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

US QUARTERLIES

AMERICAN GREETINGS
Greetings cards

Second quarter	1986 $	1985 $
Revenue	226.8m	218.4m
Net profits	4.61m	7.35m
Net per share	0.14	0.23
Six months		
Revenue	470.6m	440.3m
Net profits	21.7m	23.7m
Net per share	0.67	0.74

DATAPOINT
Computers

Fourth quarter	1986 $	1985 $
Revenue	89.1m	87.8m
Net profits	231,000	†13.68m
Net per share	0.01	0.74
Year		
Revenue	325.2m	380.3m
Net profits	16.58m	†84.6m
Net per share	0.48	†4.32

† Loss.

FEDERAL EXPRESS
Delivery service

First quarter	1986 $	1985 $
Revenue	733.1m	589.3m
Net profits	24.8m	31.0m
Net per share	0.48	0.66

GENERAL INSTRUMENT
Cable TV, semiconductors

Second quarter	1986 $	1985 $
Revenue	208.7m	187.9m
Net profits	2.99m	2.68m
Net per share	0.09	†0.08
Six months		
Revenue	409.2m	393.9m
Net profits	8.12m	†3.91m
Net per share	0.25	†0.12

† Loss.

INTERNATIONAL COMPANIES and FINANCE

Tokumaru deal gives reprieve to Kurushima

By Our Tokyo Staff

TOKUMARU KAIUN, which is the largest debtor of the troubled Kurushima Dockyard, has reached agreement with its main creditors, including Taiyo Kobe Bank and Daiichi Mutual Life Insurance, to salvage the company's finances, probably starting from next month.

The plan is designed to provide a breathing space for Kurushima Dockyard, to which Tokumaru owes interest-bearing debts worth Y25bn ($161.6m). A further deterioration in Tokumaru's position would seriously hamper the reconstruction of Kurushima Dockyard.

Tokumaru Kaiun operates refrigerated ships and deals with Japan's major fishery companies. It has been in the red for some time, and posted a pre-tax loss of Y150m, on turnover of Y12bn in the year to February 1986. Its liabilities reached Y120bn at the end of August 1986.

Several dealing banks and trading houses have provided a moratorium on loan repayment by Tokumaru since the begining of this year. The main creditors such as Taiyo Kobe Bank, Daiichi Mutual Life Insurance, Nippon Trust and Banking, and the Nippon Credit Bank, have agreed far-reaching financial support. The banks are discussing in detal reducing interest rates. rates.

Gen. Oriental in $260m sale

GENERAL ORIENTAL Investments' 49 per cent-held subsidiary, Gaylord Holdings, has agreed to sell Gaylord Container for $260m, Reuter reports from Hong Kong.

The buyer was not named but General Oriental said the transaction is subject to the prospective purchaser.

Gaylord Container is a US manufacturer of kraft board and paper and corrugated boxes. It is the former container division of Crown Zellerbach of the US, in which the General Oriental group has a more than 50 per cent interest.

Gaylord Holdings is 97 per cent held by General Oriental Securities Partnership, in which the General Oriental group is the general managing partner.

General Oriental, registered in the Cayman Islands and listed in Hong Kong, is controlled by Mr James Goldsmith, its chairman, the Anglo-French businessman.

Sony income falls in third quarter by 59% to Y7bn

BY YOKO SHIBATA IN TOKYO

SONY, the big Japanese consumer electronics manufacturer, has reported a 59.5 per cent drop in net profits for the third quarter to Y7.08bn ($45.9m) from Y17.48bn in the third quarter of last year. At the same time, it lowered its income forecast for the year to end October to Y46bn from an initial projection of Y62bn—at least 35 per cent down from the previous year.

Group sales in the third quarter, at Y309.1bn, were 11.5 per cent lower against the same period last year, mainly as o result of the steep appreciation of the yen against the dollar. The forecast for the year's sales has been slightly reduced to Y1,350bn.

By contrast, overseas sales measured in local currencies advanced satisfactorily, the company said, pointing to a 22 per cent increase in dollar-denominated sales by Sony of America.

Broken down by product lines, Sony's sales of video equipment in the third quarter fell by almost 16 per cent to 33.2 per cent of the total. For the full year, the company has scaled down its forecast of sales of the new generation 8 mm video tape recorders—on which Sony has pinned high hopes — to 1.3m units from an initial 1.5m, largely as a result of fiercer than expected competition in the sector.

Audio equipment sales rose marginally during the third quarter to account for 24.3 per cent of the total, while sales of television sets fell by one-fifth to roughly the same proportion of the group's total sales.

Margins on Sony's traditionally high export sales were squeezed during the quarter, severely eroding operating profits to a slim Y1.3bn. Net profit performance was maintained largely by large gains on forward foreign exchange hedging.

Exports boost ANI earnings

BY OUR SYDNEY CORRESPONDENT

AUSTRALIAN National Industries, the diversified engineering group, achieved a 23 per cent profit increase from A$46.04m to A$56.6m (US$35.3m) in the year to June 30 on sales up 18 per cent to A$1.27bn. The company has declared a dividend of 16.5 cents

Mr Neil Jones, managing director, said nearly all divisions had improved in the year and that prospects for the current year were excellent. The company was achieving increasing access to export markets and forecast a 20 per cent growth in exports this year.

"We are starting to see some real growth opportunities coming from a number of our traditional export areas. We expect to see ANI's earnings from offshore businesses and from export activities being somewhere in the order of 20 per cent of our overall return in the year."

The break-up of ANI's profits for the year was distribution (37 per cent), contracting (35 per cent), manufacturing (18 per cent) and services 10 per cent.

Manufacturing enjoyed the greatest improvement in profit, helped along by a five-month contribution from its A$81m purchase of Comsteel Vickers.

Monier results lifted by US operations

BY OUR SYDNEY CORRESPONDENT

MONIER, the building products company relied heavily on US operations to achieve a 5 per cent profit increase to a record A$32.5m (US$20.2m) in the year to June 30. The company said its Australian division had turned in a poor performance on the back of a soft housing market.

Turnover increase 9 per cent to A$720.8m.

The US contribution rose by 41 per cent to A$10m on sales of A$224m.

Directors said the surging profit was in part due to shifting exchange rates as well as strong US demand.

Australian earnings for the company in the year fell 4 per cent to A$21.6m

Directors said the outlook for this year was better for operations outside Australia and further expansion was planned in the robust US market.

A one-for-10 bonus issue was declared following the result.

Fairfax profit up despite rising costs

By Robert Kennedy in Sydney

JOHN FAIRFAX, the Sydney-based media group, overcame a higher interest bill to increase profit by 4 per cent to a record A$44.84m (US$27.9m) from A$43.04m in the year to June 30.

While the group was reluctant to predict how it would fare in the current year, it indicated that debt would be considerably reduced. The group will be receiving A$96m in dividends from the sale by its 42 per cent owned Australian Associated Press of its Reuters "B" shares.

If this was all used to retire debt Fairfax could halve its interest bill in 1986-87.

In the year just ended interest charges rose from A$14.5m to A$31.97m because of higher rates and increased borrowings for acquisitions in the local newspaper and radio market.

The company acknowledged that the profit increase was relatively subdued compared with the 40 per cent and 101 per cent profit increases in the previous two years, but added that they considered it to be "satisfactory."

The annual dividend has been increased to 12.5 cents a share with a final of 7.5 cents. Operating revenue increased 14 per cent to A$817.7m.

The directors said the result had been influenced by "the continuing dominant positions of The Age and The Sydney Morning Herald in the classified advertising field in which the classified volumes of those newspapers increased by 10 per cent and 23.7 per cent above the previous financial year."

The trading profit of Fairfax's magazine promotion arm increased substantially and the radio area also performed well.

FINANCIAL TIMES SURVEY

Friday September 19 1986

Employee Welfare

The quality of working conditions and fringe benefits can influence productivity and industrial relations. Protection of health remains the most important need.

Value of broad approach

By Alan Pike
Industrial Correspondent

IN A MODERN, forward-looking organisation, employee welfare adds up to something much bigger and more dynamic than merely abiding by legal requirements to provide a safe working environment.

Industrial relations, productivity and staff loyalty can all be influenced for the better by the quality of working conditions and benefits provided by employers. In fields where skilled staff are in short supply, benefits in addition to direct pay can make the difference between retaining and losing key personnel.

This is leading to increased efforts to make the workplace a more attractive as well as a safe place, and to devise sophisticated benefits packages and other non-pay trimmings for employees.

But however good a company's fringe benefits may be, the most important basic welfare need remains the protection of employees from the risk of damaging their health at the workplace and the prevention of occupational disease.

In Britain, responsibility for advising industry and monitoring occupational health problems is in the hands of the Health and Safety Executive's medical services. The sharp decline in manufacturing and other traditional industries during recent years has produced notable changes in the type of problems confronting the executives.

A surviving list of industrial diseases which have to be notified by law under the Factories Act such as phosphorous poisoning and toxic jaundice — describe little about the true nature of occupational health hazards in the 1980s, and are recognised by the executive as being increasingly less relevant to present-day problems.

New worries have arisen, of which the most familiar surround the widespread introduction of the visual display unit. With the advent of the VDU white-collar office staff share for the first time anxieties about health hazards in the workplace which industrial workers have experienced for generations.

Concern has ranged over possible mucular, visual and skin problems and dangers to pregnant women. The field remains one where there is far more debate than conclusive evidence.

Dr J. T. Carter, the Health and Safety Executive's director of medical services, said when presenting his most recent report that while many good employers understood the need for sound advice on occupational health, large sections of industry had yet to do so.

"Unfortunately, much of our work in the field is assisting industry to come to grips with health problems which have arisen only because of a failure to recognise known risks or to control them," Dr Carter said.

"This is especially true of the less publicised but common occupational illnesses such as asthma, dermatitis and repetitive strain injuries. We also frequently become involved at a late stage when employers have failed to consider the medical suitability of individuals for jobs in a clear and fair way."

The executive is continuing to implement or consider recommendations from a House of Lords Science and Technology Committee investigation into occupational health and hygiene services, which included a call for an occupational health Code of Practice for various types of industry to be developed.

A serious disparity between the excellent occupational health services which have been developed by some large employers and the poor provision in many medium-sized and small companies was noted by tha House of Lords committee.

Officials in the Health and Safety'e Executive medical services estimate that up to half the British workforce — some 10m to 12m people—work in places where there is little or no occupational health provision.

Risk levels are no less great in such workplaces, and they are equally no less great in small businesses which lack proper specialist advice. Since many small firms could not afford — and often would not require — full-time professional occupational health support, the executive is trying to encourage companies to group together and share services.

Many companies which do provide well-developed occupational health facilities no longer restrict themselves to monitoring and preventing problems resulting directly from the working environment. In these companies the workplace is becoming an important location for wide-ranging health education and promotion activities.

Advice on preventing major killers and incapacitating diseases, such as heart disease and cancer, counselling individuals with drink, drugs and other personal problems, can all form part of this wider programme for action.

In a similar way, encouraging the provision of healthier food in company canteens, developing workplace exercise and sporting facilities and finding ways of reducing stress at work, are also included.

Some companies not only give advice and counselling, but are now offering their employees more extensive health management packages. IBM, for example, offers all its 16,000 employees both medical insurance and medical screening through the British United Provident Association (BUPA).

BUPA says the introduction of medical screening is a significant trend in Britain, with IBM's example being followed by other companies.

The provision of private medical insurance as part of a benefits package, particularly for managerial and white-collar staff, is now a familiar feature in many organisations. Negotiation of private health provision in collective agreements, however, remains a sensitive issue to which many trade unions are opposed.

A leading exception to this is the agreement between the Electrical and Plumbing Union and the Electrical Contractors Association which has provided some 50,000 employees with medical insurance through BUPA.

About 15,000 of the electricians covered by the agreement have also received health screening, and BUPA says this has revealed a "stark comparison" between the manual employees and management groups of the same age. As a result of the health checks, says BUPA, many of the electricians are radically adjusting their lifestyles.

Company-financed or subsidised membership of health and sports clubs is offered by many companies, and interest is also growing in putting managers through fitness physicals—programmes on which an individual's fitness is measured and then enhanced through improved exercise and diet.

Stress at work has become a subject of greatly increased interest in recent years. While stress does not lend itself to the same relatively clear identification and control as physical and chemical hazards, some employers and trade unions are giving positive attention to structuring work in ways which eliminate unnecessary pressures.

The white-collar Association of Scientific, Technical and Managerial Staffs is an example of a union which has developed a policy on occupational stress. It starts from the viewpoint that the problem should be regarded as a collective rather than—as is usually the case—an individual one.

Often, says the ASTMS policy, individuals suffering from stress problems are advised to change jobs; too rarely is it recognised that it is the job itself which needs to be changed.

A Health and Safety Executive-funded study of occupational stress in driving instructors has been conducted in conjunction with the Department of Experimental Psychology at Oxford University, and the executive hopes this will provide a foundation for future guidance on controlling stress problems.

Some 1bn canteen meals are consumed by employees each year, and company catering facilities can be both a benefit for employees and an aid to improved welfare. Pressure for healthier food in company canteens and restaurants has been slower to develop in Britain than the US, but it is now increasing amid rising evidence of links between diet and disease.

Health First, a private health insurance company, has this summer launched what it believes is the first initiative to encourage employers to improve the nutritional value and quality of canteen and staff restaurant food. Companies joining the scheme can have their canteen menus analysed on the nutrition computer at the Nuffield Institute as a basis for introducing selections of healthier food.

Many employers without canteens provide employees with meal vouchers. Worldwide, meal vouchers to the value of £900m a year are used but the average daily spend in Britain —58p compared with £1.80 in France and Italy and £2.30 in Belgium—is close to the bottom of the league. The level of tax relief available on meal vouchers in Britain is also low by international standards.

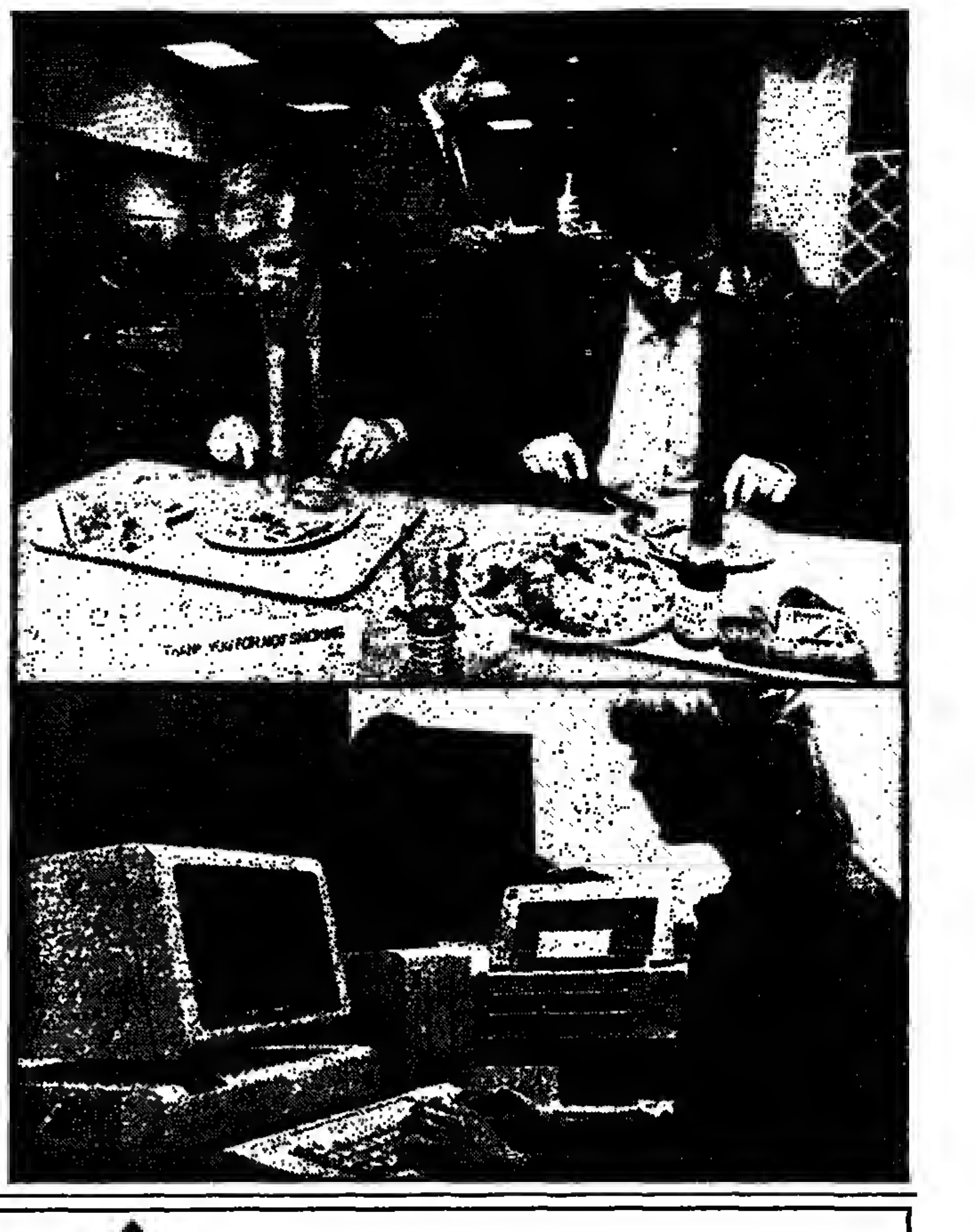
Luncheon Vouchers, which was taken over by the French-owned Accor Group last year, believes there is considerable potential for expanding the British market—both through enrolling more employers and encouraging those who already provide vouchers to increase their daily face value.

At present 14,000 British companies give Luncheon Vouchers to 400,000 employees — an annual turnover of £51m. Luncheon Vouchers has set itself a target of expanding this to £71m within three years.

Another welfare issue which is receiving increasing attention is the problem of passive smoking — non-smokers being forced to breathe air polluted by the smoke of others. A number of organisations in the US now operate policies which provide a smoke-free working environment, and the development is spreading to Britain. Ash—Action on Smoking and Health—is urging employers to adopt policies which recognise people's right to breath smoke-free air.

One of the most important subjects relating to employees' welfare, and one which traditionally has been treated with much less interest by many employees and managers than it deserves, is pensions. Changes are coming here too.

On November 1 new government regulations on the disclosure of occupational pension scheme information come into force. These will require trustees of schemes to provide extensive information, including audited accounts, actuarial valuations and annual trustees' reports.



Top: staff restaurants are changing to provide a more health-conscious diet. Right: office layouts must be re-thought to cr/ate the right working conditions for using VDUs

Accidents at work

Fears on safety standards

FEARS THAT safety standards in the workplace are declining led to delegates to the TUC Congress this month passing a resolution which accuses many employers of showing a "blatant disregard" of the Health and Safety at Work Act.

The TUC intends to draw up its own 10-year programme to improve health and safety at work. Delegates to Congress called upon the TUC General Council to press the Government for an immediate substantial increase in the factory inspectorate, and for expanded powers for enforcement agencies.

This month's Congress debate reflected a widespread fear among trade unionists and others that economic pressures on both employers and the Health and Safety Executive are undermining the improvements in workplace safety which took place in many industries during the 1970s.

Statistics for manufacturing and service industries show that the number of people seriously injured at work has increased for each of the past three years.

The reasons for this cannot be precisely determined, and may include more accurate reporting procedures in recent years. But there is concern that the increase also reflects the fact that many employers—particularly those in recently-launched small businesses—neither know enough about safety procedures nor spend enough money on them.

All employers of five or more people are required by law to have written health and safety policies. But the avoidance of accidents depends upon these written policies existing in day-to-day workplace activities as well as in filing cabinets.

Efficient, regular monitoring by managers has been shown to be an essential feature of successful policies, and last year the Health and Safety Executive's accident prevention advisory unit produced guidelines on how to monitor safety procedures.

The starting point of the guidelines is that "accident statistics are only one index of performance and even then are only an index of failure." It is calculated that for each major injury accident there are 10 property damage incidents. And for every property damage incident there are 20 near misses.

The guidelines say: "Any organisation experiencing a considerable number of near misses or damage-only accidents is walking a tightrope. Any slip can only result in what management may see as a sudden and inexplicable increase in injury and possibly fatal accidents."

The guidelines advocate the establishment of safety audits which should be "positive rather than pre-occupied with fault-finding"—designed to develop and highlight good working practices.

A study by the accident prevention advisory unit of 1,136 fatal accidents over a three-year period showed that only 192 were unavoidable in the sense that no reasonably practicable precautions could have been taken to prevent them.

Causes which contributed to the remaining accidents included the use of inadequate tools or equipment; bad maintenance; hazardous working conditions; inadequate training or supervision, and—in many cases—either employers or individual employees failing to comply with safe systems of working.

The accident prevention advisory unit then went on to make a judgment about who was primarily responsible for the accidents against the background of the Health and Safety at Work Act, which places the prime legal responsibility on employers.

It concluded that, in 960 of the fatal accidents analysed, employers were responsible in 61 per cent of cases and workpeople in 18 per cent. In another 12 per cent of cases, employers and employees were held to be jointly responsible.

Alan Pike

Pension schemes

Greater involvement by staff

THE PROVISION by employers of pensions and other benefits to employees and their dependants is a longstanding employee benefit—by far the most valuable of all the benefits provided.

It has developed over the decades from being a welfare "grace and favour" provision made only to selected employees or groups of employees to the present arrangement of being considered as a "deferred pay" entitlement available to all employees with rights secured in a company pension scheme, established under a trust—that is separated completely from the company's own assets and financial structure.

Pensions and allied benefits are now accepted as an integral part of an employee's remuneration—a package where the terms are negotiated between the employee and the employees' trade union representatives.

Employees and their representatives are becoming more involved in the running of company pension schemes as employee representatives on the trustees boards and in the various administration committees.

This development of corporate pension provision has been fostered and encouraged by successive governments through generous tax arrangements.

Contributions get full tax relief and are invested in funds that are exempt of UK taxes. Pension payments themselves are taxed as earned income, but the cash sums available at retirement or paid on the death of an employee while still at work are paid tax-free.

However, the present Government is introducing sweeping changes in the UK's corporate pensions field. The 1985 Social Security Act has given employees valuable rights to obtain information from their pension scheme concerning both their own benefit entitlements and details on the financial state of the scheme.

Employees who change jobs now have their accrued pension rights protected, to a certain degree, against inflation, while they have the option of taking the cash sum equivalent from their previous employer's scheme and investing it in an annuity from a life company.

The 1986 Social Security Act, if and when it is implemented in April 1988, will change the whole concept of pension provision which has been built up over the decades.

From April 1988, employees will have the right to opt out of their company scheme and make their own pension provision through a new-style personal pension.

Currently, employers can make the membership of the company pension scheme compulsory for employees as a condition of membership. Under the new framework, employees will be able to make their own personal pension arrangements. This change will require a new attitude by employers towards pension provision for their employees.

Company pension schemes, in the main, operate on the defined basis, with the pension paid to employees at retirement being related to years of service and earnings at or near retirement. The employee knows the amount of pension in relation to his salary.

Personal pensions, in contrast, operate on a defined contribution basis. The level of contributions is known, but the ultimate pension will depend not only on the level of contributions but on investment conditions during the working life of the employee and above all on interest rate levels at the time of retirement when the accumulated fund is used to buy a pension.

The opponents of personal pensions, which includes the Labour Party, the TUC and trade unions, some employer organizations and large sections of the pensions industry, have highlighted the dangers of personal pensions both undermining company pension schemes and providing inadequate pensions for employees—not only from adverse investment performance but also because the minimum level of contribution is low.

The Government has decided that the minimum pension provision should match the State Earnings - Related Pension Scheme (Serps) even though the 1986 Act is cutting back on its benefit levels, rather than the higher benefits provided by most company pension schemes.

Employers are under no legal obligation to provide more than the minimum contribution to an employee's personal pension, nor are they obliged to take an employee back into the company pension scheme once he or she has opted out.

Indeed, employers are under no obligation to have a pension scheme anyway. If employees opt out en masse, then employers may well be tempted to run down and eventually wind-up the scheme.

Nevertheless, many employers may feel they are under a moral obligation to ensure that all their employees have an adequate income in retirement and that dependants are financially protected in the event of death of the employee.

Indeed this latter obligation is more pressing if the employee dies at a young age leaving a widow or widower and young children. Although the precise requirements to protect widows and dependants under personal pensions has yet to be spelt out, it is likely that the protection will be far inferior to the very good benefits under a company scheme.

Employers who are concerned with the welfare of their employees and their dependants have to face these problems and decide how to provide that protection in this new era. In many cases it will call for a complete reappraisal of benefit provision.

In particular, it will involve the employer in selling the company pension scheme, something that comparatively few employers do at present, in the face of the marketing techniques used by the financial institutions and their sales force marketing personal pensions.

Banks, building societies, life companies and unit trusts will be able to offer personal pensions to employees. They can be relied on to display personal pensions as new, exciting and highly rewarding compared with the drab, though secure, company pension.

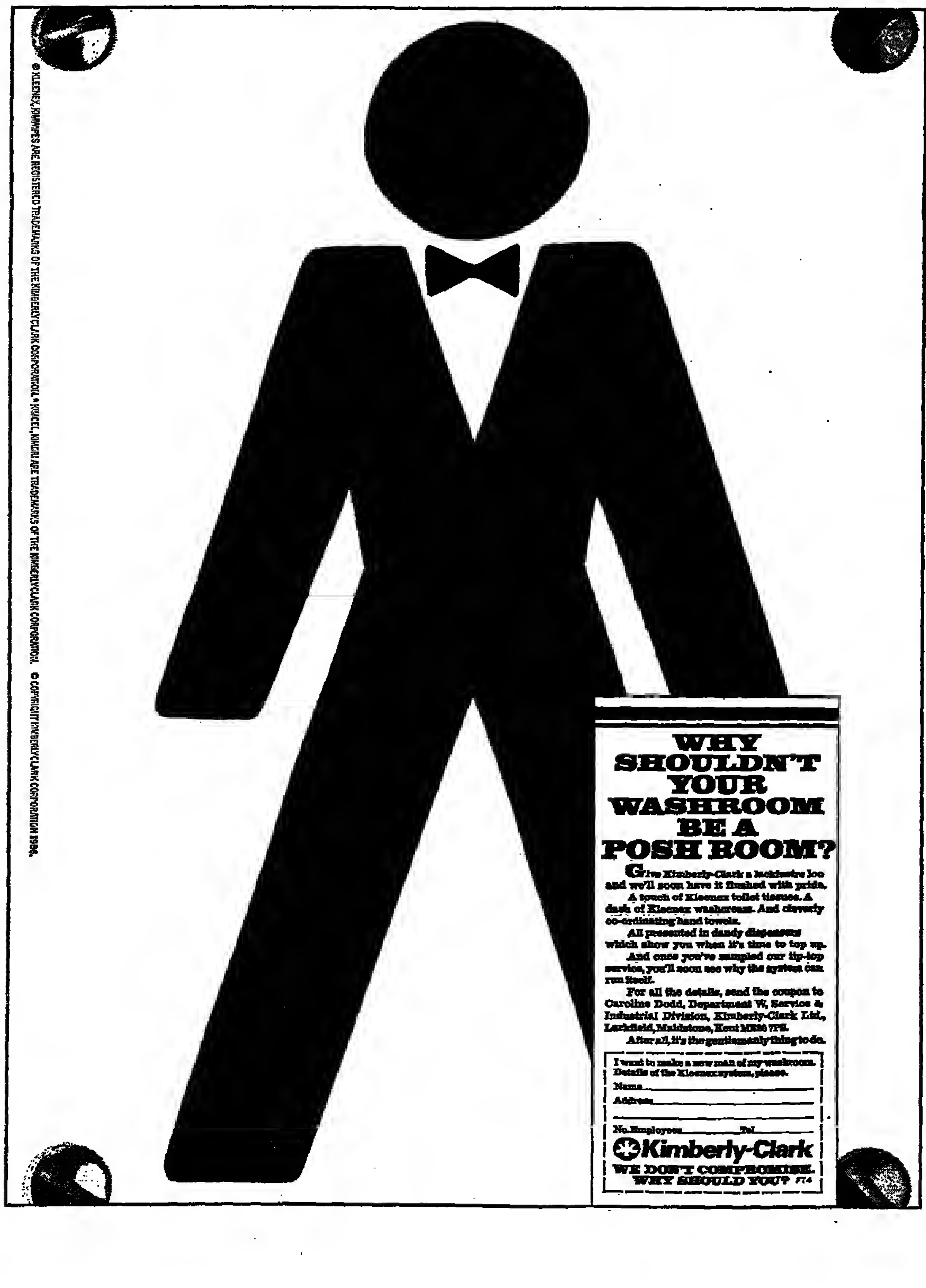
If their main marketing thrust is concentrated on the employers of the 12m employees not in company pension schemes, then employers with schemes have little to worry about and the Government's aim of pension provision coming mainly from the private sector will be achieved.

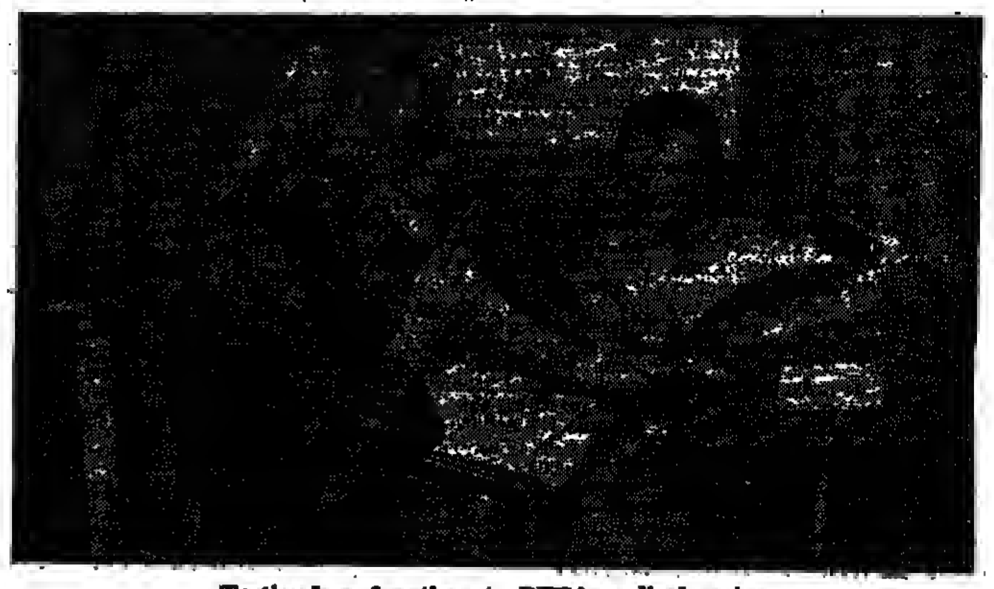
Indeed, the 1986 Act has removed many of the financial barriers to companies, especially small companies, setting up a company scheme contracted-out of Serps.

These institutions, particularly building societies, are already involved with companies in providing savings schemes for employees and savings vehicles for share option schemes.

Employers also face challenges to their existing corporate pensions structure from changing work patterns and particularly the trend towards earlier retirement, a change that is taking place even though the Government refuses to acknowledge it by adjusting the State pension retirement age.

Eric Short





Testing lung function at a BUPA medical centre.

Private health care

Big rise in screening

REGULAR SCREENING of people to monitor early signs of disease is the fastest-growing area in the private health care industry.

BUPA, the private health care company with some 14 centres offering screening, estimates that while private medical insurance is growing at the rate of 3 to 5 per cent a year preventive screening is growing at an annual rate of about 10 per cent, albeit from a lower base.

AMI, the US-based private hospital group, this week announced 12 new health screening centres throughout England. The group already has one, AMI Lifestyle, formerly known as Physiometrics, at Cheadle, near Manchester.

And, according to the providers, it is not just the chief executive and board members who are being provided with health screening — which costs £160-plus per employee. "More and more companies are now beginning to understand the correlation between poor health among their workforces generally and company profitability," BUPA says.

However, IBM, the world's biggest computer company, is probably unique in Britain in its recent provision of health screening at BUPA centres for more than 13,000 employees, eligibility being defined as five or more years' permanent service with IBM and aged over 35.

Dr John Aldridge, chief medical officer at IBM, says: "The health assessment programme is consistent with IBM's attitude of encouraging the good health and fitness of its employees."

IBM already provides BUPA medical insurance cover to its employees but Dr Aldridge says it makes more sense to prevent illness than to correct it after the event.

While many such packages are management inspired there's also a substantial interest in such deals among trade unions negotiating pay and conditions. While inflation is relatively low negotiators are increasingly looking to other benefits to increase the total value of pay increases.

Traditionally, most of Britain's larger trade unions have provided some health facilities and benefits to their members including private convalescent homes.

Screening, however, is a fairly new area for trade union negotiators. And one major screening by BUPA of 15,000 workers in the electrical contracting industries, mainly members of the Electrical Plumbing and Allied Trades, revealed shop floor workers to be more at risk than executives from heart disease, stress, alcohol and obesity.

"We have disproved the fallacy that management is more at risk from ill health than other employees," BUPA says.

During any screening—which includes blood tests, measurement of blood pressure, electrocardiogram, the taking of a detailed medical history—there is also a fairly lengthy interview with a doctor, often the first time an individual has sat down and had an extended talk with his or her doctor.

It is here that a person's life-style can be discussed and recommendations made to reduce weight or cut down on smoking.

BUPA, which is now starting to re-screen the electricians, reckons that this interview has played an important part in the encouraging changes in health it is monitoring among the men.

BUPA recommends that its screening service should be repeated every three years for someone aged under 35 and once a year for the over-50s. It has been offering the service since 1970 and now is in a position with several regular client companies to offer company profiles.

"We can track changes in health in these companies and pinpoint growing problem areas," says BUPA which last year screened 70,000 people.

Providers such as BUPA and AMI put regular screening into the wider context of occupational health, or "health management" as they now prefer to call it, and the provision of consultants in businesses to advise on health and safety matters generally.

Health management and health screening, according to the providers, are the major areas of growth within the corporate world for private health care providers.

However, in the past few years much of the growth in private health insurance has come from "employee" or "company" purchase with, for example, Mr Rupert Murdoch, proprietor of News International, among those to recently offer company-purchased private health care as an incentive to employees.

Mr William Laing, author of Private Health Care 1985, published by the Office of Health Economics, disputes the idea that company or employee purchase is a fringe benefit over which consumers do not exercise direct control. Or that it is an occupational health phenomenon "the main perceived purpose of which is to return key employees to work as soon as possible."

Rather, he argues, though company purchase is typically an employer's decision, the insured person himself frequently has to pay for cover to be extended to his family. "Individual consumer decisions," he said, "are also at the root of employee purchase where the employer merely provides the administrative umbrella while the employee pays."

Mr Laing concludes that the phenomenon of opting out of the NHS is primarily consumer-led and only a relatively small proportion of insurance-funded private treatment is given to the archetypal business executive.

Figures provided by BUPA, the single largest provider of private medical insurance, seem partly to support this thesis. According to BUPA, some 60 per cent of its business comes through companies, with about a third being paid for by the company and a further 38 per cent employee funded and deducted from the payroll.

BUPA says: "We have conducted six National Opinion Polls on private medical insurance among employees. Our large samples have shown a growing wish among employees at all levels for private health insurance."

Lisa Wood

Clothing

A big shift in type of user

THE LAST decade has seen a substantial shift in the provision of industrial workwear with a decline in traditional users in the so-called "smoke stack" industries and an increase in provision to service industries.

Frost and Sullivan, the international market research organisation, in a recent report on the Industrial and Sanitation Products Markets in Europe, said that employment in engineering and other manufacturing industries could decline by as much as 20 per cent by the end of the decade.

The other side of the coin, the report said, was that employment in health services and retail operations—both large workwear users—was set to expand by more than 10 per cent over the same period.

"It is worth noting that much of this growth in employment, and thus in the market for garments, will be in the areas in which women traditionally make up a large proportion of the workforce.

"This may mean proportionate increases in the female workwear market: more attractive garments, usually in lighter fabrics and in a broader range of colours predominate in this sector of the market.

"This is in contrast to the garments' normal, traditional, industrial users where protection from a wide range of hazards is a principal consideration."

The report says whether forced by legislation or out of a sense of responsibility for his workers, an employer has several options in supplying his workforce. Different options are:

- Workers buy, clean and repair their own workwear;
- Employers supply workwear and the worker takes responsibility for its cleaning and maintenance;
- Employers supply, clean and maintain workwear using their own resources;
- Employers supply garments using rental companies, providing e service which includes cleaning and maintenance.

Any growth in the market is coming from rental, with many companies not able to provide the facilities to process workwear economically.

In the UK several major companies address this market, including Sketchley, Johnson, Pritchard and Initial. Within the sector, an estimated £180m a year, there has been a degree of rationalisation. Sketchley, for example, a major workwear cleaner, bought CCM, a major supplier to garment rental companies this year.

Within the sector there is a change of emphasis from dry cleaning of workwear to wet cleaning, a method which gives a cleaner and more efficient wash. The development of poly/cottons has spearheaded this development since pure cottons, which pose problems when wet washed, demand dry cleaning.

A major innovation in the market has been Klopman's Challenger garment which is 60 per cent cotton and 40 per cent polyester.

Given the competitive nature of the business, with the decline in the important heavy manufacturing industries, companies such as Sketchley are placing increasing importance on quality servicing of the market and identification of the needs of the growth areas, such as fast food.

"Cost, for example, is very important to the fast food business because overalls are changed often," says Sketchley which recently commissioned a report on the industry.

Improving service to the customer was a major priority. "There are millions of rental garments floating around the country at the moment," Sketchley said, "but if just one individual does not get his or her garment on time there are major problems.

"We have to be able to guarantee that everybody gets an overall back at the right time."

Lisa Wood

Special clothing being worn for work in a clean room in a Scottish electronics factory.

Working conditions

VDUs in forefront of talks

THERE ARE an estimated 1.2m Visual Display Units being used in the UK today and it is believed that by the end of the decade about half the workforce will be using one.

Office automation, and its impact on working conditions, has therefore come to the forefront of negotiations between employees and employers. Strategies adopted by different unions have varied from receptive to restrictive, depending on whether unions feel they have more to gain than lose.

Among those with a more receptive approach, guarantees on health and safety have been at the forefront. For, leeving aside the important issues such as de-skilling and loss of jobs, the new technologies bring major changes in the working environment and arouse considerable fears over effects on health.

Ms Sheena Wilson, a director of Building Use Studies, a research and consultancy business which specialises in looking at users' requirements in buildings, says: "If, for example, an individual is doing data inputting, which involves long periods sitting at a desk in front of a screen, any problem such as backache, stress, sore eyes and lack of fresh air becomes exacerbated."

The management of this change involves an examination of the whole office environment with many reports suggesting that health problems concerning VDUs are caused in the main by poor working conditions.

Recent independent research projects include a Health and Safety Executive commissioned study which includes:

- A study of the reproductive effects of working on VDUs;
- The effects of work pauses and work design;
- Study of lighting and VDUs.

Also it is commissioning two major research programmes examining the causes and incidence of repetitive strain injury among workers including VDU keyboard operators.

The introduction of new technology in some of the most enlightened companies has led, for examplo, to tho development of a new breed of managers, callod "facility managers" who co-ordinate all the activities involved in managing the building for the optimum support of productivity.

"Information technology simply does not work properly if a building is not designed in a suitable way," Ms Wilson says. "In addition, fitting out costs — such as those for ventilation, lighting and wiring — are enormous and it is crucial to got things working in a co-ordinated fashion."

For many employers issues such as ventilation—a major source of vexation for employers—comes low down the list of priorities as they strive to introduce the actual hardware. In turn, trade union negotiations have tended to focus on tho more immediate concerns.

However, negotiations are becoming more sophisticated with the Trades Union Congress earlier this year introducing guidelines on VDUs. It is an excellent document drawn up after e large International Conference on Free Trade Unions (ICFTU) conference in Geneva in 1984, and drawing on the TUC's own inquiries into VDUs.

Mr Robert Coyle, a TUC spokesman, says the three main issues were the effects of the equipment on health and safety, the ergonomics of each work place, and how long operators work on a VDU.

Mr Coyle says: "Manufacturers of VDUs have very much taken into account concerns over health and safety, and concerns of the trade union movement have influenced this.

"On the other hand, many good employers have tried to tackle the more general issue of ergonomics, that is the layout of the work station. This includes tho provision of suitable lighting, blinds and chairs. This is not an easy issue, however, for what may provide a suitablo environment for the VDU may not be comfortable for the worker.

"The third aspect, the organisation of work on the VDU, is perhaps tho most important. We, for examplo, have recommended that union negotiators should aim to limit intensive VDU work to a maximum of 50 per cent of daily working time.

"But there are problems in this and we would suggest that managors arranged work schedules so that an individual does not just do work on a VDU."

On specific health issues the guidelines recommend that pregnant women, and women planning to becomo pregnant, should have the right to transfer from VDUs. The concern here is over exposure to low-level rediation and its possible connection with miscarriages.

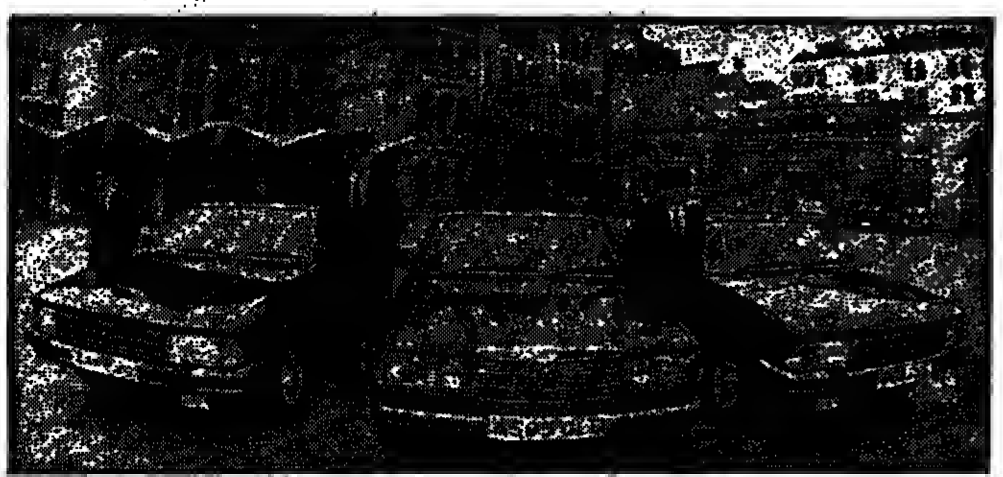
"Tho recommendation is e little unsatisfactory," says Mr Coyle, "because by the time a woman discovers she is pregnant and decides to come off a VDU, damage may have been done. However, we foel the recommendation is the best that can be made until we have research that shows conclusively that there are no harmful effects.

As far as the impect of VDUs on eyesight is concerned, Mr Coyle says there is no evidence to show long-term damage. But "problems could arise if an individual already has imperfect or impaired vision. For this reason we are recommending regular eye tests which should be paid for by the employer."

As to the response of employers to unions negotiating over such issues, Mr Coyle says: "Healthy omployees are good for e business and they are good for industriel relations."

There is still much research to be done to improve the VDU environment. Take, for example, the use of spectaclos with ultra-violet protection which some companies have offered to VDU operators. There is a strong dehete within the ophthalmic industry itself as to whether such articles satisfy a medical need.

Lisa Wood



The company car: a perk linked with status

Perks

Integral part of pay

RESPONSIBLE companies anxious to increase the commitment of their employees to corporate goals are well aware that a well-structured fringo benefits package for staff can complement other welfare measures. Moreover, they also are increasingly aware that the term "fringe benefit" may be misleading.

Since these benefits can add approaching 40 per cent to total payroll costs in some companies, they are clearly not a fringe element in a company's calculations. Similarly, the term "benefit" has connotations of a paternalistic company seeking to patronise employees with a few extras thrown in.

Nothing could be further from the truth in those companies which see fringe benefits not as a gift but as an integral part of the remuneration and motivation package for its staff.

In the US, for example, the Bureau of Labour Statistics has already dispensed with the fringe benefit expression, preferring instead the less wieldy —yet more accurate—"selected supplementary remuneration practices."

Whatever they are called, however, why have fringe benefits developed over the years as such an important part of employees' remuneration?

It is often overlooked that a number of supplementary benefits are required by law. Maternity and redundancy provisions fall into this category, as do occupational pensions to a lesser extent.

Other benefits, such as annual holidays or sabbaticals, are provided because companies recognise that employees are not machines and do require time off to recharge their batteries and attitude to work.

Increasingly, benefits are also provided to enable companies to remain competitive in the labour market. The forthcoming "Big Bang" in the City has led many financial institutions to come up with many varied and expensive benefits—ranging from a box at the Royal Opera House to cars and holidays for spouses.

There are, therefore, a multiplicity of reasons why companies offer fringe benefits to staff. But they can be broadly categorised into three main areas:

- **Performance-related benefits.** Usually given to staff who "earn" them through their position in the company hierarchy or as a result of specific goals being achieved. Company cars fall into this category as do annual bonuses or incentive travel; anything, in fact, that helps an employee feel thet his or her standard of living has been enhanced.
- **Security-related benefits.** These are intended to make employees feel that they and their dependents will be looked after in the event of an unexpected event. Into this category fall redundancy agreements, life insurance, pensions, sick pay, and long-service contracts.
- **Morale-boosting benefits:** The benefits earn the company the goodwill of its employees, even though they may havo little motivational impact by being widely available throughout industry.

Provision of car parks, for example, or subsidised canteens fall into this category—as do annual holidays, season-ticket loan schemes, and medical facilities on the premises.

However, the company car remains for many employees the most obvious benefit of status and additional remuneration since the cost of buying and running a car is often tho largest item of household budgeting after mortgages and holidays.

A recent British Institute of Management survey showed that the use of at least one company car was enjoyed by 98 per cent of chief executives, 99 per cent of other directors, and 96 per cent of managers immediately below board level.

Moreover, some 65 per cent of the chief executives, 64 per cent of the subordinate directors, and 54 per cent of other top managers were allowed free petrol as well.

PA Personnel Services, which monitors executive remuneration levels, points out that company cars are the most difficult of all benefits to value.

"They are provided more freely in Britain than almost anywhere else in the world and, as a result, are often undervalued by those who have use of them," it says.

"While some job holders need them to fulfil their duties, the majority are given them as straight perks, with the size or quality of the car linked in some way with status."

How far a company car is actually a motivator to employees is also open to question. "The glossy view of the executive being spurred on up the company ladder not just by salary and status but by the prospect of a more attractive car does not seem to hold true in the real world of corporate life," argues Mr Ian Smith, an author on pay and remuneration topics.

The main elements in the fringe benefits package provided to the "typical" executive, according to PA, remain the company car, private petrol, medical insurance, payment of telephone expenses, and pensions and other insurances.

In PA's most recent survey of fringe benefits, it found that 49 per cent of companies provided supplementary arrangements for chief executives to top up their basic pension scheme. Only 28 per cent of companies in the PA survey, however, provided such individual arrangements for senior management.

PA also points out that, in spite of increased taxation, "it is interesting to note that 12 per cent of companies still have schemes in operation to provide personal and/or home purchase loans to senior management." It adds that a further 6 per cent of companies continue to provide assistance towards the payment of school fees and 5 per cent continue to provide second company cars.

Where executives have improved their position in the 1980s, however, is in tho provision of incentives or bonuses. More than two-thirds of companies now operate such a system compared to under a third in 1979.

A stronger link is now also being formed between individual performance and the bonus paid. In the 1983 and 1984 PA surveys, for example, somo 47 per cent of companies calculated bonus entitlements solely on some measure of company performance.

By 1986, however, only 42 per cent of companies calculated bonuses in this way, while 58 per cent take some, if not total, account of individual performance in determining bonus entitlements. The average bonus awarded rose from 10.2 per cent in 1985 to 14.7 per cent this year.

While such rewards can act as a great motivator for many employees, they — and some other types of fringe benefits—can actually act as de-motivators. Those employees that are not given special perks—such as free private medical insurance—may feel that the company cares less about their health than it does for those employees who achieve this benefit.

Moreover, any attempt to remove established perks such as company cars—in a cost-cutting exercise, for example—can lead to a serious loss of staff and morale from those who see such perks as a "right."

The message, therefore, appears to be that while fringe benefits play an important part in the total remuneration of an employee, they must be handled with care to avoid having a negative effect on the company's operation—the opposite from what was intended.

David Churchill

Employee Welfare 4

Benefit consultancies

Expertise offered from many sources

THE SETTING UP, administering and communicating the various employee benefits is a complex affair. Employers need to understand how the benefit system works, what it provides for employees and how it can be arranged in the most tax efficient manner for both the employer and employees.

Above all, employers will want to know what other employers are providing in the way of fringe benefits and how they are splitting the remuneration package. And finally, there is a need to explain to employees what is being done on their behalf so that the employer gets value for money on his outlay in terms of improved employer/employee relations.

A proper benefit plan will put together the various individual elements in a designed benefit package to meet the employees' needs. It is inefficient to simply jumble the various benefits together no matter how efficient each individual benefit may be.

The services of consultants are essential if the employer is to be able to fulfill all these requirements. Only the largest corporation organisations could meet these requirements in-house by hiring the necessary expertise. Even then the services of a major consultant would be required to provide information and market trends in benefits and remuneration.

Pensions require separate treatment from the other benefits. A combination of government ministers, civil servants, tax inspectors and actuaries have made a complex subject even more complicated, thereby ensuring that even the largest company or group will require the services of a pensions consultant.

A variety of consultants offer their services to employers on some or all aspects of employee benefits and welfare. Traditionally, these consultancy firms fell into two camps—those which handled pensions, long-term sickness and disability and those which advised on all other aspects of remuneration such as company cars, bonus schemes, share option schemes and medical sickness and hospital insurance schemes.

However, medical and hospital benefit schemes in the past have been sold direct to companies by the sales staff of the provident associations.

Now many consultants have expanded their operations so that they can provide a complete and comprehensive service on all aspects of employee welfare—the modern trend seen in many financial service areas towards one-stop shopping.

Pensions and allied benefits are the most comprehensive of all employee welfare services, as well as being the most valuable in terms of remuneration. This involves the combined services of a variety of experts—actuaries, accountants, investment managers and lawyers, as well as computer software engineers and communication specialists.

The requirements of providing services to companies running their own in-house final salary pension scheme have been met by the consulting actuarial firms, which have been operating for decades, staffed almost exclusively by actuaries.

A more recent development is the pension consulting firms, many of which are attached to major insurance broking firms, whose expertise will include both actuaries and non-actuarial consultants.

The services they provide are

very similar, ranging from discussion on the benefit structure, the costs, negotiations with the Inland Revenue and handling the necessary legal work.

On this latter point, pensions law has become so complex that it needs the services of a legal firm specialising in pensions. The consultants, although they employ in-house lawyers, also liaise with these specialist firms.

The consultant, whether actuarial or non-actuarial, would also provide advice on administering the scheme, including the necessary computer input-output systems. He would also help prepare the necessary scheme booklets and promotional literature.

This latter requirement has now become important since, from the beginning of November, employers under the 1985 Social Security Act will have the right to certain information concerning their pension scheme.

Consultants have made great strides in the area of communicating, primarily by employing experts rather than trying to do the job themselves. More and more use is being made of visual communications using videos, employing professional actors in the roles.

Remuneration for these services is now universally on a fee basis, even by those consultants with strong insurance broking connections.

There is a variance between consultants on how to treat any commission received from arranging insurance contracts. Some consultants offset the commission against the fee bill. Others, adopting a more puritanical line will not accept any commission — not the problem it seems since they can usually arrange to have a premium quoted net of commission.

In connection with the other benefits, the management consultancy field has been dominated by two major players—Hay-MSL and Inbucon, which have been in operation for many years. One of their strengths is the expertise acquired and the vast pool of data, continuously updated, on the practice of employers towards their employees' remuneration.

These firms tend to be regarded as orientated towards executive remuneration. But they are involved in advising on all sections of the workforce.

Company cars are always a favourite benefit and one that needs care. It is a very tangible benefit in that other employees are well aware of what type of car is available to a particular employee. So the consultants have to advise not only on the general principles of company cars as employee remuneration, but which type of car for which level of employment grade.

The provision of medical and hospital insurance, now requires the services of consultants if only for the fact that there are so many players in this field with the entry of US companies.

There is a wide variety of types of cover, from the top London clinics to the provincial private hospitals — and a corresponding wide range of premiums.

Over the past few years a third player has appeared on the scene—the major accountancy firms. These firms have departments which offer a complete range of services, including a complete pension service. They are competing with the consulting actuaries and pension consultants on the one hand, and with management consultants on the other.

Eric Short

Catering services

Under close financial scrutiny

CATERING, NOT surprisingly, has been one of the areas most under financial scrutiny by companies anxious to cut costs in the 1980s.

Those companies that still run their catering operations along the lines of policies determined 20 or so years ago—when both labour and fuel costs were cheap—have been forced to radically reassess their approach to providing subsidised canteen facilities.

What has emerged from the recession, however, is an industrial catering sector which is both more cost-effective and technologically efficient than only a few years ago.

Companies have turned to specialist catering contractors to provide food and beverages available on a round the clock basis through using new developments in preparing and cooking foods.

This has had the effect of enabling more companies to offer in-house catering facilities. The 25th annual survey of the catering industry, published earlier this year by the Industrial Society, shows that the level of employee catering for staff is now back to the peak year reached in 1977-78. Some 58 out of every 100 employees now buy meals in-house during their main break.

The approaches adopted by companies offering in-house catering facilities vary markedly. Some see it was a fringe benefit while others insist it must be a "business within a business."

This latter approach sees in-house catering as a service which the company expects to pay its way as far as possible and is not supposed to detract (in terms of management time or resources) from the main business of the organisation.

Such companies are more likely to react to customers' preferences in terms of menus, offer more imaginative foods and services, and are less likely to be segregated.

Those companies, however, which see catering primarily as a benefit tend to be less businesslike, offer fewer alternatives, and are more likely to be segregated between various grades of staff.

The Industrial Society found that most companies expect to pay for costs such as labour, space and energy but to cover their direct costs of food through prices charged. The majority of companies can usually achieve this target and, in fact, many more make a profit.

The society's survey of catering found that prices charged in company canteens had risen by about a third over the past three years, but this still leaves the employee's average spend on in-house food and drinks at between 50p and 60p a day.

Workers in London and in small companies tend, not surprisingly, to pay more for their meals than employees in other parts of the country or in large companies.

Nine out of every ten companies now charge itemised prices for foods in their main dining rooms—rather than a fixed price for the whole meal—although the same system only operates in 45 per cent of senior staff dining rooms.

The society's survey found that while senior employees pay slightly more than other workers, a two-course meal and tea or coffee costs only about £1.

The average price of a full meal such as steak and kidney pie with vegetables, sweet and tea, came to 94p last year compared with 72.5p in the previous survey. A salad with meat cost 67p on average, compared with 41p in the survey before.

The trend towards catering facilities for all staff is increasing. At the beginning of the decade, about 40 per cent of companies operated single-status dining. Now some 60 per cent of companies operate in this way.

One of the key responses in the 1980s to the rise in catering costs has been for companies to use specialist contractors. Some 30 per cent of companies in the Industrial Society survey used outside contractors, compared with 24 per cent in the previous survey.

Leading specialist catering operators include Gardner Merchant, a subsidiary of Trusthouse Forte, Compass Services (part of the Grand Metropolitan group), and P &O's Sutcliffe Catering operation.

A typical specialist contract catering operation is that provided by Sutcliffe for Conoco at its Humber refinery for some 650 staff and 250 contractors—as well as another 2,000 staff employed on occasions when the plant and machinery is overhauled.

Two thirds of the Conoco workforce work shifts and because they work outdoors they also expect hot food to be available at all times. Many workers are also unable to leave their plant or laboratory areas.

"Our needs, although perhaps typical of the industry, can be extremely diverse and at times seemingly unreasonable," points out Mr Richard Kearton from Conoco. "It has even been known for Sutcliffe's local staff to be called out at 4 o'clock in the morning to cater for an unannounced group of soldiers on training facilities!"

Sutcliffe's response to Conoco's various needs has been to offer different types of catering for each kind of demand. Staff unable to leave certain areas, or working shifts, can eat in dining rooms scattered around the site.

Meals are prepared using the cook-chill systems, which enables food to be prepared during the day and quickly chilled (not frozen). It can then be selected from a vending machine and heated in a microwave oven.

Sutcliffe also provides two separate restaurants for Conoco's own staff and for regularly-employed contractors. A strong emphasis is placed by Sutcliffe on "healthy" foods, such as by providing high-fibre diets on the menu.

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Sutcliffe's response in providing more healthy food in its menus is part of the nationwide trend towards consumers taking a greater interest in their diet and health. More than half the population now thinks carefully about its diet and is consciously eating healthier foods, according to a recent study of British eating habits from advertising agency D'Arcy Masius Benton and Bowles.

Healthy eating, according to a booklet produced by Sutcliffe, does not necessarily mean goodbye to chips with everything. The important factor is providing people with the right choice of nutritional foods, it says, to add balance to a meal.

It clearly makes sense for companies concerned with their employees' welfare to provide them with the right type of food for their long-term health.

Some companies now also offer special flexible plastic cards which provide employees with a prescribed number of free drinks or meals from vending machines. This system means that staff can be subsidised for a certain amount of free food and drink, with subsequent beverages purchased by the employee from the vending machine.

The alternative to in-house catering services—either provided by vending machine or canteen staff—traditionally has been luncheon vouchers. The problem with these is that they attract tax on anything over 15p a day, which means that they are less attractive a system of benefit than in Europe.

While many companies only give staff vouchers worth 15p a day to avoid tax problems, the average amount given to employees in Europe is about £2 a day.

None the less, plans are under way to try to convince more British companies to use luncheon vouchers. Accor, the French hotel company which recently acquired Luncheon Vouchers in the UK, is planning a major £2m marketing campaign to boost the attraction of this benefit.

David Churchill

Sweden

Employers meet most of the bills

SWEDEN IS often described as the state that looks after everybody because of its generous social welfare policy. The situation was summed up by a member of the Swedish Employers' Confederation (SAF) when she said: "We have everything we need, so there really have been very few changes in the last year or so."

The unions, of course, still believe that there is ample room for improvement, and that more can be done for employees both in the workplace and when it comes to pay rises and holidays.

In Sweden, the brunt of the welfare bill is borne by the employer, with the employer's contributions fixed according to law and collective agreements. This year, the contributions (as a percentage of gross pay) amount to 42.3 per cent for workers, and 46.2 per cent for salaried employees.

These contributions from the employer include basic and supplementary pension contributions, health insurance, occupational injuries insurance, occupational safety, adult education, wage guarantee, child care, severance pay insurance, sick pay and disability, and occupational group life insurance.

"Don't underestimate the importance of collective agreements in Sweden," says one senior manager. "The disadvantage is that they allow very little private freedom because everything is decided by labour."

The broad sweep of the welfare system perhaps means that there is more scope for honing away what already has been achieved rather than fighting for new rights.

Indeed, the Social Democratic Government, never at a loss for a new tax to impose, has thought up two more—one for pensions and another for company cars—which could affect white-collar employees, though neither tax is in force yet and both face strong opposition.

Opposition to Finance Minister Mr Kjell-Feldt's suggestion of a real interest rate tax—along the lines of the one in Denmark — was almost universal.

The Government has since shelved its original plan, but wants to impose a one-off, 7 per cent wealth tax on insurance companies' total assets instead, as a means of raising about SKr 15bn. The fear is that this will not be a one-off creaming.

The Government backed down from the original plan of a real interest rate tax, saying that for the temporary situation of surplus profits, such a complicated tax was unsuitable, and that there was no point in introducing a new and complicated system.

In Sweden, everyone is entitled to a basic pension and to a supplementary pension (ATP). Arrangements for private pensions—which cover an estimated 3 to 4m people—are settled separately by the employer and the union.

Private pensions would have been hit by a real interest rate tax, as would the employers since they are normally entitled to a reduction in pension contributions if the returns exceed expectations, which means more money to be ploughed back into the company.

But the new 7 per cent tax will also hit the insurance companies and reduce returns.

TCO, the central organisation of salaried employees in Sweden (ie white-collar workers) would like to introduce the idea of people in high-pressure jobs—such as policemen and brokers—being able to retire before the standard age of 65 on a full pension. "If there is high stress on body and soul, they should be able to retire early without losing their benefit," says Mr Olof Sundstroem, TCO's international officer.

The other area where the government can claw back money is with fringe benefits, though most Swedes would own that they have precious few of these.

Company cars are currently taxed by adding a fixed sum to the salary depending on the type of car and the mileage. This generally requires a laborious poring over drawn-up tables, and can mean a shift into the higher tax bands, to perhaps over 75 per cent tax for a top executive.

The Government recently proposed simplifying the system by taxing the employee on 18 to 22 per cent of the new price of the car, which employees see as an increase in the tax burden.

Other fringe benefits are so far unmolested. It is quite common for the larger companies—for example, the banks—to provide summer houses for employees at a peppercorn rent. Now some of the companies feel compelled to charge symbolic rents so that employees are not forced to pay tax on this perk.

Another common perk is luncheon vouchers which employees can use in local restaurants—the employer and employee then split the bill 50-50. The employee is entitled to a hot snack rather than a full-blown lunch.

So far as health care goes, the attitude is very much that no one in Sweden needs a private insurance health scheme because national insurance covers most of the cost.

With the national insurance scheme, the patient pays SKr 55 for a visit to a GP, and the rest of the fee is paid by national insurance.

Even with private schemes, where the doctors are employed by a private company rather than the state, the fee paid by the patient is only SKr 65 (with the excess again paid by national insurance) and many patients are willing to pay this because it cuts down waiting times, and as one patient put it, "offers some continuity because you are more likely to have the same doctor treating you each time."

Private schemes (in the British sense) also exist, with the employer paying the insurance fees for senior management or key staff. However, a new private scheme, which is due to start next year and which offers six consultations for an employee and other members of the same family, came up with some surprising findings in its preliminary research.

It found that large companies were interested in using the scheme for all employees, not just senior staff, because they feared trouble with the unions on the grounds of discrimination, and that there was also e market for individually-funded schemes—a surprising revelation given the existing national scheme and the high cost (an initial SKr 2,000 enrolment fee and annual fees of between SKr 1,500 and 2,000) of joining the scheme.

Also on the health front is concern about the use of electronic devices in offices. Swedish scientists are undecided about the long-term effects of sitting in front of an electronic terminal or computer screen, for example in e bank or airline office.

At a scientific conference earlier this year, some speakers presented results from work with laboratory animals which suggested that display units could have harmful side-effects though these cannot necessarily be extrapolated to humans.

"We are fighting for legislation because this is enough of an indication," said Olof Sundstroem. The TCO wants regulations covering the number of hours someone can work in front of the screen.

TCO members have reported three main problem areas: eyes, muscles, and skin. Many people have complained of their eyes becoming tired, red and irritated, and in the worst cases, of deteriorating eyesight. The design of the screen can result in muscle-ache, and TCO says more members are now complaining of skin allergies.

The union estimates that there are about 700,000 screens in use in Swedish offices and factories. It has already devised e checklist for members to use on their own screens as e guide to whether the equipment is of a good design—with questions covering glare, letter size and spacing, flicker, design, reflection and so on, and has issued 65,000 of these to increase awareness of the problems.

The checklists have aroused interest among overseas unions, as well as encouraging manufacturers to produce designs with lower electromagnetic fields.

Pregnant women are advised to ask for a transfer within the company, and employees who suffer from eye trouble through the use of such screens can insist that the employer pays for an eye test and special glasses if necessary.

This year saw changes in Sweden's legislation concerning parents' leave from their work after the birth of a child. Both parents had been entitled to a total of 270 days to be split between the parents as they wished.

Earlier this year, the time allowed for leave was extended to 360 days, with the first 270 days on 90 per cent of the salary—the same as for sickness benefit—and a lower income for the next 90 days.

Some employees would like to be able to stay at home if the child is sick, and receive 90 per cent—the same as if the parent was ill—from the insurance.

Asked what else there is to fight for in a country where so much has been achieved and is taken for granted, one trade union official said: "Of course we fight for higher wages and more holidays and the right to take it in July when the weather is good.

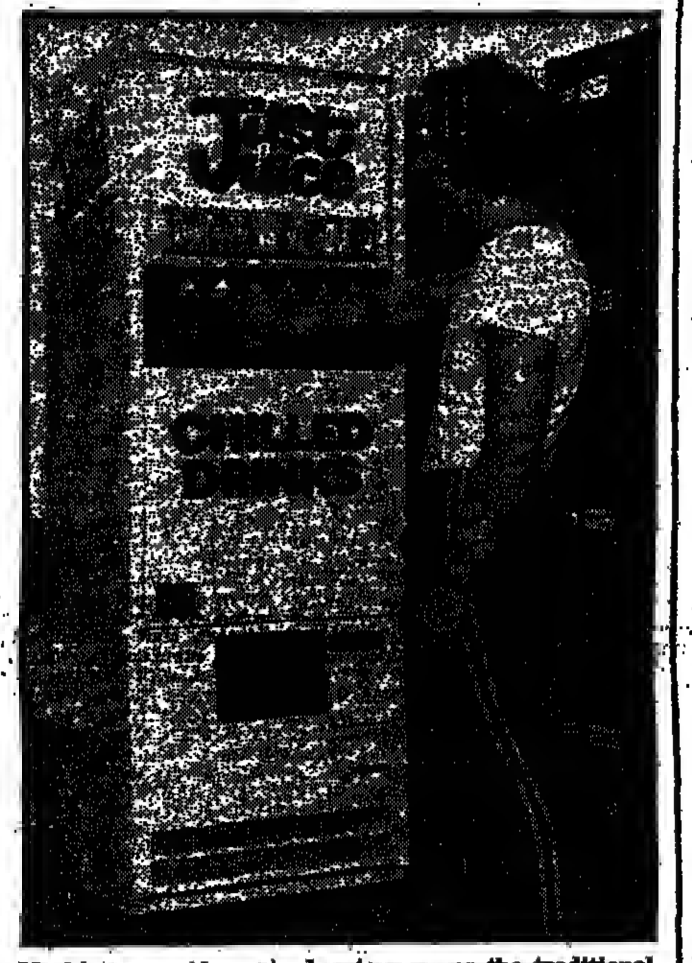
"We want to take pensions earlier, and we want further education which would allow people to change job more freely later on in life, for example by learning about banking or marketing and things which they did not learn at school."

Asked where the funds could come from, he thought perhaps the Government could tax existing businesses.

Sara Webb

Welfare contributions paid to the state (% of salary)

Workers and salaried employees	
By law, employers must pay:	
ATP (national supplementary pension)	10.00
Health insurance	9.30
National basic pension	9.45
Partial pension insurance	0.50
Occupational injuries insurance	0.60
Occupational safely	0.35
Labour market contribution	1.59
Adult education	0.26
Wage guarantee	0.20
Child care	2.20
General payroll tax	2.00
Total: 36.45 per cent of gross wages (for both workers and salaried employees).	
In addition, for workers within collective agreements employers pay:	
AGB (serverance pay/redundancy benefit)	0.20
AGS (group health insurance, sick pay and disability insurance)	1.40
STP (supplementary pension)	3.18
TFA (labour market no-fault liability insurance)	0.42
TGL (occupational group life insurance)	0.54
Employment security fund	0.07
Lay-off pay facility	0.05
Total: 5.86 per cent	
Total for workers by law and collective agreement: 5.86 + 36.45 = 42.31 per cent	
In addition, for salaried employees within collective agreements employers pay:	
ITP (supplementary pension)	8.50
TGL (occupational group life insurance)	0.30
Employment security fund	0.90
TFA (labour market no-fault liability insurance)	0.05
Total contributions by law and collective agreement for salaried employees: 46.2 per cent.	



Machines provide cost advantages over the traditional tea trolley

Vending machines

Rise in demand

AUTOMATIC vending has increasingly become one of the key ways in which companies can respond to the needs of their employees. Vending offers the opportunity of round-the-clock service without much of the high cost otherwise involved in providing it.

Moreover, it can enable employers to offer special subsidies to particular groups of workers through the use of high-tech systems which govern the access to vending machines.

Employers, for example, can give workers the right to free meals, drinks, or other vended services by issuing special plastic credit cards which automatically debit the amount used.

Vending is not a new concept in offering customer service—holy water in Egyptian temples was dispensed in return for a coin. The concept has also been around for some time in modern Britain, through such mechanisms as automatic ticket or chocolate machines at railway stations.

But it is in the workplace that vending still has much to offer. There are an estimated 150,000 drink vending machines in the UK, with e further 75,000 food-only machines. Yet there are still some 320,000 factory and office locations which are estimated to have no workplace vending machines—a clear growth area for the vending industry.

The demand for vending machines at work has grown sharply in the 1980s as recession has forced more companies to take an increasingly critical look at their catering costs.

Although the economic slump had forced more companies out of business—and therefore the potential market for vending machines—those thet were left recognised the cost advantages of vending over traditional systems such as the tea trolley.

The Industrial Society's annual survey of company catering, for example, shows that vending is more popular with employees. About 1.5m cups of beverages of all types are dispensed through vending machines, compared with some 0.7m cups dispensed via manual service.

The survey shows that two cups daily of tea or coffee is the norm in most parts of the country, although in London, Scotland, and the North of England the norm is almost three cups daily.

One of the factors spurring on the growth of vending machines at work has been the development of new technology. This has not only made the machines more reliable but has also enabled companies to offer a wider variety of services—ranging from machines that give change to some that talk to customers with an electronic synthesised voice, telling them when products are unavailable.

At the same time, the industry has over the past few years increasingly put its own house in order; cowboy operators have been weeded out and there has been a series of mergers and rationalisations among vending operators.

While beverage machines are the most popular form of workplace vending, there is a growing demand for food vending systems to replace or complement the traditional canteen. Food vending has not always enjoyed the best of reputations in the past, mainly because of unscrupulous operators.

But automatic vending systems allied to a micro-wave oven has radically altered the potential for the provision of full hot meal services at work.

Vending, moreover, is increasingly being used to offer a range of retail services for employees apart from food and drink.

Vending machines in some factories and offices now offer flowers and magazines—while enterprising newspaper circulation managers have sited newspaper vending machines on site for evening papers. As the technology available increases, therefore, the potential for workplace vending seems almost limitless.

David Churchill

Weak metal and oil prices cut RTZ profits

BY STEFAN WAGSTYL

RIO TINTO-ZINC Corporation, the mining, energy and industrial group, yesterday announced a sharp fall in attributable profits for the first half of 1986 to £83m, compared with £118m for the same period last year, caused mainly by falling oil prices, weak metal prices and changing exchange raes.

The company also revealed the £30m acquisition of ABM Chemicals, e subsidiary of Dalgety. The purchase is RTZ's latest step in it sstrategy of expanding its speciality chemicals and minerals businesses by acquisition at a total cost so far of $320m (£218m).

Sir Alistair Frame, chairman, said the first half had been disappointing for a combination of reasons outside the management's control. But the company could look forward to an improvement in the second half.

Group turnover in the first six months of 1986 fell to £2.5bn (£2.9bn) and operating profit was down to £317m (£400.8m). After interest, pre-tax profit was £269.9m (£362.1m). Earnings per share were down to 26.68p (38.23p) and the interim dividend was left unchanged at 7p net—last year's final payment was 15p.

The metals sector's contribution to net attributable profit was £29m (£48m). The directors said that metals profits were hit by poor prices, especially et the Hamersely iron ore mine in Australia, by industrial action at Broken Hill lead and zinc mine (where RTZ's associate CRA has e stake) and losses et Rio Tinto Minera in Spain where loss-making copper production has been halted.

In the second half CRA is expected to gain significantly from the resumption of work at Broken Hill with new cost-cutting working practices.

The contribution from the industrial sector rose to £78m (£67m) and would have been higher but for the fall in the US dollar which hit the sterling valne of increased American profits.

The energy sector, principally the group's North Sea oil and gas investments, showed a sharp

Sir Alistair Frame, chairman of RTZ

fall in attributable profits from £45m to £19m, primarily because of the decline in oil prices. Profits from Rossing Uranium were down to £2.8m (£7.3m) because of lower first half deliveries, some of which will be made up in the second six months.

The group's acquisition of ABM Chemicals in the UK follows a £91m purchase in April of two chemical companies in the US from Celanese. RTZ said its chemicals businesses, which would see turnover rise from £230m last year to some £450m in 1987, would be formed into a separate division.

Dr David Swallow, managing director of RTZ Chemicals, said ABM Chemicals fitted well into the group's range of interests. ABM made profits of £2.4m pre-tax (before management charges) on sales of over £35m.

Mr Terry Pryce, chief executive of Dalgety, which has major interests in food and agriculture, said the sale was consistent with the group's policy of concentrating on its core businesses. Earlier this week, Dalgety announced slightly increased pre-tax profits of £75m for the year to the end of June. But Dalgety had to take a £28m extraordinary charge for losses incurred in tin trading and in export services.

P & O pulls out of gas after sale to Kvaerner

By Kevin Brown, Transport Correspondent

The P & O group yesterday announced the disposal of its remaining liquid petroleum gas (LPG) interests to Kvaerner Industrier, of Oslo.

Kvaerner has agreed to pay around $80m (£55m) for P & O Gas Carriers, which operates nine LPG carriers, plus chartered-in tonnage.

P & O Gas Carriers is owned jointly by P & O and Overseas Shipholding Group of the US. Each company will receive around $40m for the sale.

Overseas Shipholding paid $35m for its 50 per cent holding in April last year. Analysts said this indicated that Kvaerner had paid above book value for the company.

The sale is subject to agreement on contracts, including valuation of working capital in the business. Kvaerner has undertaken to maintain the existing London headruarters of P & O Gas Carriers.

The sale continues P & O's move out of the volatile market for gas carriers, which has weakened this year as a consequence of the fall in oil prices.

Analysts said performance of the business had been unpredictable, and it did not sit comfortably with the rest of P & O's interests.

Returns are thought to have been unsatisfactory, but gas carrying had ceased to be a significant part of the group's activities, and the sale is expected to have no more than a small positive effect on this year's results.

P & O announced interim profits of £69.8m before tax earlier this month, up £11.3m on the equivalent period last year, and is expected to reach between £172m and £175m for the full year.

Sir Jeffrey Sterling, chairman of P & O, said: "This takes us totally out of gas. This is a very volatile area for us. We will concentrate on what we are good at—moving people and freight."

The purchase of P & O Gas Carriers gives Kvaerner control of 30 gas carriers, the world's biggest fleet. Kvaerner is a specialist in the gas market, and also owns the Moss Rosenberg shipyard in Norway.

Andrew Gowers on a fruit and vegetable suppliers plans for a stock market flotation

Geest polishes core businesses to tempt City

Geest Holdings may not be a terribly familiar name at present to many people in the City apart from devotees of bananas. All that is about to change. Over the next few weeks, the privately-owned company will be adopting a much higher profile as it prepares the ground for a full stock market flotation.

Although best-known for its lucrative franchise to distribute bananas from the Windward Islands, Geest is the largest supplier and distributor of fresh fruit and vegetables in Britain. It sells a growing range of exotic and staple produce to the retail multiples and wholesale markets, and is building up a presence in prepared salads and horticultural products.

With a turnover of £372m last year, it claims to be the country's ninth largest private company—owned throughout its 50-year history by members of the Dutch-born van Geest family.

If the conditions are right, Geest hopes to make its debut on the Stock Exchange later this year, although executives are keeping their options open as to precisely when. To this end, it has been slowly and quietly emerging from its shell and reshaping itself over the past few years. The flotation is designed to give it greater flexibility in its expansion.

Geest was founded in Britain in 1936 as a two-men-on-a bicycle operation selling fruit, vegetables and flowers grown in the Netherlands. It now employs more than 4,000.

However, plans for a stock market flotation are a relatively recent affair. Several years ago, a second generation of van Geests, groomed to succeed their father, took over the business, and the company changed direction.

The decades of expansion had led the group — none too successfully — into unfamiliar territory like light engineering and computers.

Mr Leonard van Geest, the group's chief executive, decreed that it should henceforth focus on the basics of its business: fresh produce and allied areas. Peripheral and loss-making sectors which got the company into a lot of trouble about six years ago have been sold off.

Mr van Geest, 36, has also departed from family tradition by bringing in experienced management blood from outside. He stepped down as chairman earlier this year and appointed Mr Charles Bystram, former managing director of United Biscuits International, in his place. Senior executives have also been brought in from a range of other companies.

Thus fortified, the company is now concentrating its resources on improving the efficiency of its core distribution business.

In bananas, for example, it is faced with a static, if still quite profitable, market. But it is working to improve its refrigeration and handling facilities and to cut costs; it is selling the two ships which account for a large proportion of its fixed assets and taking two larger vessels on a long-term charter.

Likewise, in fresh produce, the overall market is growing very slowly, perhaps by 1 per cent a year. Geest estimates the total UK market for fresh fruit and vegetables to be worth more than £3bn, of which it has about 10 per cent, making it the biggest of the three largish companies which dominate the market (the other two are Glass Glover and Hunter Saphir). But within that total, the mix of products is changing — away from staples like carrots towards more exotic items like Guatemalan mange-tout.

Geest is keen to boost its presence in these high-margin areas and to strengthen its links with the powerful supermarket chains. The latter account for about 35 per cent of the total market and are continuing to gain ground at the expense of independent greengrocers and market traders.

The company has spent heavily on gearing its distribution operations up for the multiples. It has built a large new depot at Maidstone, for example, at a cost of £7m, to complement two other "superdepots" in Scotland and at the company's headquarters in Spalding, Lincolnshire. It has more than £8m tied up in a fleet of refrigerated vehicles. It has also—rather belatedly, according to some analysts—been improving its communications and ordering systems.

Mr Leonard van Geest, chairman and managing director of Geest

Its other two divisions, dealing with prepared salads and recipe dishes and with horticultural products, are minnows by comparison. Here, too, Geest has been trying to build on its links with the multiples, with mixed success.

In Geest has about 20 per cent of the prepared dishes market, the value of which is estimated to be more than £70m, and is growing fast on the back of the fad for healthy eating. This is a high-margin business, and the company wants more of it, Mr Bystram says he and his colleagues are looking for acquisitions in the chilled and prepared dishes area.

In horticulture, the company has not been so fortunate. It is the largest single supplier of horticultural products in the UK, with about 7 per cent of a market worth in excess of £320m at retail evel. But its focus has so far been in high-volume, low-margin commodity products like bulbs and garden plants. Mr Bystram says the division "is not as profitable as it should be," and is ripe for a shake-up.

For the moment, though, the way the market views Geest is bound to be determined by the performance of the distribution side. The fresh produce business is highly sensitive to weather and currency movements. The banana business is particularly vulnerable, although as one of Geest's rivals pointed out yesterday, "when it's going well, it's a licence to print money."

Margins are not brilliant, however, in the rest of the fresh produce sector. The company's pre-tax profits on ordinary activities last year were £5.9m, 45 per cent up on 1984, but, as with other companies in the sector, a small fraction of turnover. Return on assets, which is perhaps a more reliable guide, is about 10.7 per cent.

Clearly, Geest will be hoping for fair weather in the run-up to its flotation.

Wm Morrison advances by 28.5% to £9.6m

BY PHILIP COGGAN

Wm Morrison Supermarkets, the food retailer, announced pre-tax profits up 28.5 per cent to £9.6m for the six months to August 2 1986.

Turnover rose 16.6 per cent to £202m.

The interim dividend is raised from 0.35p to 0.4p.

Morrison operates 35 supermarkets in the north of England. The most recent to open was in Dukinfield in June and there are plans for e further nine stores, three of which will be replacements, over the next two years. Capital expenditure was £12m in the first half, and this will increase to over £20m in the second six months. The financing costs of store developments are capitalised in the accounts.

New stores accounted for 8.9 per cent of the increase in turnover and inflation for 3.5 per cent. The remaining 4.2 per cent was contributed by existing supermarkets.

Operating profit was £10m (£7.8m), after taking into account a reduced depreciation charge because of the decision to depreciate freehold and leasehold properties at 1 per cent, rather than 2 per cent, per annum. After allowing for net interest receivable of £91,000 (£128,000), employee profit shares of £487,000 (£379,000) and taxation of £3.54m (£3.47m), earnings per share were up 50 per cent to 6.56p.

● comment

It seems that the combination of a High Street layout and a concentration on fgresh foods is ettracting customers to Morrison all the way from Granthan to Darlington. There are two eccounting points worthy of note in these figures. The costs of financing store developments prior to opening have once again been capitalised—a growing trend among retailers — and this leaves Morrison as a net interest receiver. More significant this half is the shift in depreciation policy which effectively edds £670,000 to profits. Nevertheless, even after stripping out the depreciation effect, trading margins were up from 4.6 per cent to 5 per cent, indicating that the company is keeping a watchful eye on costs. For the full year, pre-tax profits of £20m would put the shares, at 226p on a prospective p/e of 16.5, below thet of the majors.

YULE CATTO has acquired a 7.3 per cent stake in Reabrook Holdings, the cleaning chemicals manufacturer.

Blue Arrow acquires US jobs agency

By Richard Tomkins

Blue Arrow, the fast-growing employment agency and contract cleaning group, is to make its first major inroad into the US market with the acquisition of e Boston, Massachusetts, employment agency called Positions.

Initial consideration for the purchase will be $4.25m (£2.89m), with up to $3.75m more payable depending on Positions' pre-tax profits for the year to next June.

In the year to last June, Positions made pre-tax profits of $514,000 on turnover of $6.35m. The full extra sum will be payable if it makes $1.875m or more this year.

Blue Arrow, which bought the Brook Street Bureau employment agency last October, made pre-tax profits of £2.26m (£90,000) in the six months to last April. A significant move into the US had been expected for some time.

Positions was founded in 1973 and has a head office in Boston with six other offices, mainly in New England. It is involved in the permanent placing of professional and secretarial staff and is the largest management placing company in New England.

Storehouse

Storehouse, the retailing group headed by Sir Terence Conran, has exercised an option to buy e further 48 per cent of Richard Shops Holdings, held by Morgan Grenfell, for £127,000. Storehouse's Habitat-Mothercare subsidiary ecquired an initial 48 per cent in 1963 when the holding company was formed to acquire Richards Shops.

Richards lost £4.6m before tax in the year to March but Storehouse said yesterday that it was now trading profitably, with sales from refurbished stores typically double that previously achieved.

Boddingtons' margins suffer in first half

BY TERRY POVEY

Boddingtons' Breweries, the Manchester-based brewery which operates over 500 pubs, has announced profits up by £1m to £5.7m on saes 70 per cent ahead at £43.7m for the six months to July 5.

Mr Ewart Boddington, chairman, said yesterday that the discrepancy between the turnover growth and that of profits was due to the inclusion for the half of Higsons, the Liverpool brewery acquired for £26m in June 1985.

Earnings per share fully diluted for the loan stock conversions were 3.88p and the dividend paid was 1.47p (1.33p).

While Higsons brought 160 pubs into the Boddington estate and had sales of around £13m in the half year to March 1985; profits were low. Since the takeover Boddington has been rationalising Higsons and made a "substantial number of its employees redundant," said Mr Boddington.

Trading profits for the enlarged Boddington were £6.84m. (£4.96m). The pre-tax profits were struck after interest payments of £26,000 (e credit of £43,000), debenture interest of £9,000 (£12,000) and loan stock interest of £976,000 (£345,000).

● comment

Boddington is spending £1m to promote lager sales in its beer-conscious region. The pale brew accounts for only 20 per cent of Boddington'a turnover but 30 per cent of the regions intake. It was Higsons' lager plant that probably drew the Mancunian company into the agreed takeover. We will have to wait until the year end for merger accounts to reveal the full extent of the costs of the rationalisation process. In this half the Liverpool brewery and its pubs probably washed the loan stocks' face, that is produced about £1m, e considerable gain on the £1m Higson forecast for its last full year. While this indicates that Boddingtons is moving quickly to reap the rewards of the takeover, a poor July and August has led analysts to shave £1m off year end forecasts. On the revised £13m the shares at 135p are trading on a prospective multiple of 15.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Antofagasta ....int.	1.25	Oct 27	1.25	—	6.88
Wm. Baird. ....int.	5.68	Jan 6	*5.18	—	*12.95
Barr & WAT ....int.	2	Nov 10	2	—	7
Barrow Hepburn ...int	1	Nov 3	1	—	2.5
Blanchards‡	3	—	—	4.5	—
Boddingtons' Brew. int.	1.47	Oct 27	1.33	—	3.25
Rodycote Intl. ...int.	3.25	Dec 30	2.5	—	6
Clarke, Nickolls ...int.	2.1	Nov 17	2.1	—	6.3
Continental Microwave‡	2.75	—	2.25	4.5	4
James Crean ......¶int.	5.5	Feb 6	4.85	—	10.85
DPCE	1.32	Nov 10	*1.1	*1.8	*1.5
Garton Eng. ....int.	1	Dec 1	1	—	3.5
Hamp'n Homecare‡ int.	0.5	Oct 30	—	—	0.5
Home Farm	2.1	—	2.1	3.25	3.25
Laporte ....int.	3.8	Nov 7	3.2	—	8.25
More O'Ferrall ...int.	1.3	Jan 2	1	—	4
Wm. Morrison ......int.	0.4	Nov 3	0.35	—	1.95
Perry Group ....int.	1.65	Dec 3	1.65	—	4.5
RTZ ....int.	7	—	7	—	22
Streng & Fisher	6	—	5	9	7.5
Westpool Inv. Tst. ...	1.256	Nov 15	26	1.6	1.775
Wolstenholme Rink int.	2.75	—	2.5	—	7.75

Dividends shown in pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Irish pence throughout.

UK COMPANY NEWS

BET has 42% of HAT and extends bid

By Terry Povey

BET yesterday said that as a result of purchases and acceptances it controlled 42.4 per cent of HAT Group at the first close of its £112m bid. The offer has been extended to a final close at 10.30 am next Thursday.

Mr David Telling of HAT reacted angrily to this announcement and attacked as "ridiculous" a novel shares-for-shares swap deal by BET in the market earlier this week.

Both companies, accompanied by advisers, have been to see the Stock Exchange and the Takeover Panel about the swap deal under which BET invited HAT shareholders to exchange their holdings for BET stock.

While no statement has been issued by either body it appears that BET cleared the move beforehand. This enabled it to take its purchases of HAT shares up to the 29.9 per cent limit set on cash buying.

In its report on the first close, BET said that it had received acceptances from holders of 9.64m shares or 12.5 per cent of HAT's stock.

"I am convinced that we still have the support of more than half our shareholders and that BET has tried its best shot and failed," said Mr Telling.

In a statement Mr Nicholas Wills, BET's chief executive, said: "We are very encouraged by the amount we now control of HAT. Not only was there a rush into the share exchange offer we announced earlier this week, but a high number of acceptances has been received for this stage of a bid."

BET has foreshortened by a day the maximum period it could have let its bid run because of a long scheduled meeting with institutions and analysts next Thursday afternoon. The Takeover panel has advised that it would be better if the offer closed prior to the start of this meeting.

Last night BET's shares closed down 5p at 396p while HAT's were unchanged at 140p. The 72-for-200 share offer values each HAT share at 145.27p. There is a cash alternative of 135p.

Sekers stake sold to Danes

Northern Feather Industries, a leading Danish bedding manufacturer, has acquired a 20 per cent stake in Sekers International, the British silk manufacturer and branded fabric supplier, from Coats Viyella.

Northern Feather said it regarded the stake as a long-term trading investment and it has undertaken not to make an offer for Sekers for three years, unless another party makes an offer or the directors agree.

Mr Schaumburg-Muller, managing director of Northern Feather, is joining Sekers' board.

Mr Gordon Hay, chairman of Sekers, said he believed the acquisition reflected confidence in Sekers' business. The trading relationship would enable Sekers to market more effectively its full range of silk and other products in overseas markets, and the design and product development skills of the Danish company would enhance its abilities in this field.

Strong & Fisher bids £20m for Garnar Booth

BY DAVID GOODHART

Strong & Fisher, the UK's largest maker of clothing leather, yesterday surprised the leather industry with a £20m bid to fellow leather manufacturer Garnar Booth.

At the same time Strong reported pre-tax profits up 5 per cent to £4.47m on static turnover of £57.7m for the year ended June 27 1986. However, the company stressed that leather turnover was up 20 per cent—with 89 per cent now exported—while a balancing fall in turnover was experienced by the by-products such as wool.

Mr Richard Strong, managing director, said that Strong's superior marketing skills and technical know-how would help produce a stronger joint UK business able to compete in international markets.

"Our raw material is among the best in the world; with this merger of two of the leading UK manufacturers, our expanded product range will represent the best value for money to our global customer base, combining top quality with volume production," said Mr Strong.

Strong & Fisher uses only sheepskin and specialises in up-market leather production for clothes whereas Garnar Booth uses cattle hide as well as sheepskin and also produces leather for a wider range of goods.

Mr Strong stressed that with increased capacity at several plants and buoyant overseas demand more raw material was needed and Garnar Booth's base in Scotland and the North East would compliment Strong's fellmongery divisions in Wales and the South.

Mr John Fooks, chief executive of Garnar Booth, said that the bid had been unsolicited, but was careful not to reject it out of hand before full discussions with the company's financial advisers.

In the year ended January 31 1986 turnover was £29m and pre-tax profit was £2.5m down 47 per cent over the previous year. Garnar attributed the profit fall to a down-turn in the industry. It has recently closed a tannery in Yorkshire.

The offer is one new Strong share plus 242p in cash for every two Garnar shares which values each Garnar share at about 194p. There is a cash alternative of 128p per Strong share. Full acceptance of the offer would involve Strong paying £12.3m (which would take its gearing over 100 per cent) and issuing 5.1m shares—28 per cent of the enlarged share capital. Strong shares closed 2p up at 148p while Garnar closed 12p up at 196p.

York & Equity diversifies

BY ALICE RAWSTHORN

York & Equity Trust, the USM-quoted finance group, is diversifying into personal financial services with the acquisition of Richards Longstaff, the unit trust and pensions consultancy, in a cash and shares deal worth £3m.

"After the Big Bang there will be enormous potential for growth in the personal finance field," said Mr Neil Balfour, executive chairman of York & Equity. "Our intention is to build York & Equity. "Our intention is to build York & Equity into a rounded financial services group. This acquisition represents the first step towards that goal."

York & Equity was formed in May after the reverse takeover of the USM-quoted issuing house, the Equity Finance Group, by the privately-owned corporate finance group, York Trust Holdings. Its shares fell by 3p to 85p yesterday.

Richard Longstaff is composed of the personal finance activities of the private insurance company, Richard Longstaff Holdings. It operates in unit trust portfolio management, pensions consultancy and has a half share in the Scottish stockbrokers, Penney Easton.

It manages funds worth around £190m, £65m of which are discretionary, after the acquisition York & Equity's funds under management will be increased to £215m.

To coincide with the acquisition York and Equity, which is advised by Hambros Bank, has announced a series of structural changes. The board proposes to enfranchise the company's non-voting shares, thereby creating a single share structure. It also plans to change the company's name to York Trust.

York and Equity has agreed to reduce its holding in the textiles group, John Crowther, by placing £2m of its £5m holding with its non-executive deputy chairman, Mr Michael Abrahams, who is also executive deputy chairman of John Crowther.

Equity Finance's financial results for the year to March 31 were published yesterday revealing a slump into pre-tax losses of £606,000 from profits of £409,000. The company's investments in the oil and gas industries, and in various unquoted companies, have been written down.

York and Equity also announced its new board structure yesterday. Three former directors of Equity Finance — Mr John Robertshaw, Mr Cecil Benzecry and Mr John Woollam — have resigned. Mr Balfour has become executive chairman, and Mr William Greener, managing director of Richards Longstaff, has joined the board as an executive director.

COMPANY NEWS IN BRIEF

CLARKE, Nicholls and Coombs raised interim pre-tax profits to £406,838 on turnover of £1.96m (£1.34m). The 1985 figures have been restated following the change in accounting policy. The dividend is unchanged at 2.1p on earnings per share of 5p (4.7p).

GARTON ENGINEERING is paying an unchanged interim dividend of 1p on pre-tax profits of £290,000 (£265,000). Turnover in the six months rose to £7.08m (£6.8m). Earnings per share were 6.76p (5.58p).

LWT HOLDINGS, the television company, has agreed to a management buy-out of its subsidiary Dynamic Technology, which makes lighting control systems and other electronic products.

ASTRA HOLDINGS, formerly Francis Sumner (Holdings), has agreed to acquire Ashdown Investments, the holding company of pyrotechnics manufacturer Unwin International for 1.6m shares, worth about £300,000. Astra will take responsibility for repayment of a £300,000 loan note. The vendor has warranted profits before tax for the 14 months to March 1987 of not less than £250,000.

Public Works Loan Board rates

Effective September 17

Years	Quota loans repaid by EIP† %	Quota loans repaid At‡ %	Quota loans repaid at maturity§ %	Non-quota loans A* repaid by EIP† %	Non-quota loans A* repaid At‡ %	Non-quota loans A* repaid at maturity§ %
1	—	—	10¾	—	—	10¾
Over 1, up to 2	10½	10¼	10	11¼	11¼	10½
Over 2, up to 3	10	10	10	11	11	10½
Over 3, up to 4	10	10	10	11	11	10½
Over 4, up to 5	10	10	10	11	11	10½
Over 5, up to 6	10	10	10	10¾	10¾	10½
Over 6, up to 7	10	10	10¼	10¾	10¾	10½
Over 7, up to 8	10	10	10¼	10¾	10¾	10½
Over 8, up to 9	10	10	10¼	10¾	10½	10½
Over 9, up to 10	10	10	10¼	10½	10½	10½
Over 10, up to 15	10¼	10¼	10¼	10½	10½	10½
Over 15, up to 25	10¼	10¼	10	10½	10½	10½
Over 25	10⅛	10	10	10¼	10¼	10¼

* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

Ault & Wiborg in talks to sell paint interests

By Lionel Barber

Ault & Wiborg, the ink and paint manufacturer, is in talks which could lead to the sale of its paint interests.

The potential buyer is Berger, Jenson and Nicholson, a subsidiary of Hoechst AG, the German chemicals group.

Shares in Ault, an 83 per cent owned subsidiary of Sun Chemical Corporation of the US, were suspended at 51p, valuing the group at about £9.8m.

Ault has been rationalising its interests since the turn of the decade. Last month, it boosted pre-tax profits from £332,000 to £406,000 for the first six months to June 1986. Turnover was slightly lower at £36.8m (£36.9m).

The paints business accounted for just under a third of sales and recorded a £24,000 trading loss. It was barely profitable in the comparable period of 1985.

Kenning Motor recovers

THE expected improvement at Kenning Motor Group materialised in the first six months of the year with taxable profits of £1.58m, compared with a £438,000 loss in the same period of last year. Turnover rose to £209.6m from £202.6m.

ANTOFAGASTA HOLDINGS, railfreight distributor, water distributor operator, increased its pre-tax profits from £3.04m to £4.19m in the six months to June 30 1986 on turnover down from £6.2m to £5.91m. Associates contributed £1.55m compared with £518,000. There was an exchange loss of £400,000 (£840,000). The interim dividend is unchanged at 1.25p.

Laporte at £29m but has heavy capital expenditure

BY TERRY POVEY

Laporte Industries has reported first half results only 5.5 per cent ahead of those for the same period last year. However, Mr Ken Minton, the chief executive, said yesterday that second half profits would be considerably stronger because of lower costs.

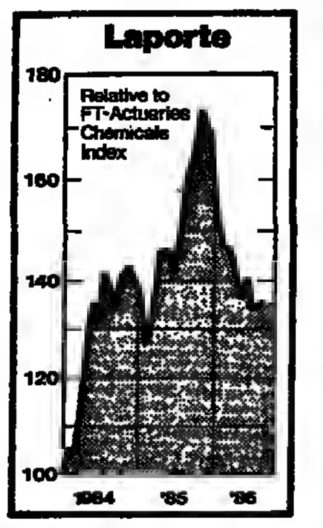
The interim dividend has been boosted by 18.75 per cent to 3.8p a share from 3.2p, and earnings per share were ahead at 13.7p (12.6p).

In March, Laporte suffered a large fire at its Peterlee fine organics plant—the specialist chemicals group's third major conflagration in two years—which "virtually wrote off the factory," according to Mr Minton.

To make good the loss of Peterlee and as part of a general upgrading, Laporte spent £20m on the Seal Sands organic chemicals complex during the first half. In addition, capital expenditure of around £4.5m was made in the absorbents division.

While Laporte's insurers will compensate the group for the capital replacement of Peterlee and the consequent business loss—some £6m is expected in the second half—"this only goes partway towards covering the full loss," said Mr Minton.

For the opening half to June, Laporte announced pre-tax profits of £28.8m (£27.3m) on sales up 12 per cent at £197.5m. Breaking down these figures,



Mr Minton said that the pre-interest profit contribution from Laporte's UK operations was £7.9m (£9.2m) on sales up, mainly due to acquisitions, by £2.4m to £67.2m. Laporte's overseas subsidiaries contributed £4.1m (£3m) on sales up more than a quarter to £66.3m.

According to Mr Minton, the fall in the UK was due partly to the loss of Peterlee and partly because of once-off start-up and investment costs in fine organics and speciality absorbents. Shareholders had been forewarned of the likelihood of a poor first half in the UK at the annual meeting in May, he added.

After tax of £10m (£10.1m) and minority interests of £100,000, post-tax profits were £18.9m (£17m).

● **comment**

There are few stocks in which brokers differ quite so widely as to their recommendations as Laporte — although the deviation from the consensus £64m forecast for the year is only £1m or so. The argument put by the sellers is that uncertainties over future earnings from Interox in the US and over the depth of group management could conspire to shoot Laporte in the foot and chop it down sharply from its prospective multiple of 12 on a tax charge shaved by 2 points to 35 per cent. The buyers argue that US peroxide prices remain firm, that the feared glut is not appearing and that the accession of Mr Minton to the top executive slot has been followed by some acquisitions in which management has been purchased along with products. As both parties appear to agree on a forecast of a 14 per cent rise in earnings it seems rather harsh to argue that investors should lighten holdings in the shares, down 3p at 365p, when the rating lags other specialist chemical stocks.

Wm Baird shares rise on surprise profit growth

By Alice Rawsthorn

William Baird, the textile and engineering group, surprised the City yesterday by unveiling an unexpectedly high increase in pre-tax profits of 27 per cent to £6.2m. The company's shares rose by 12p to 380p on the announcement.

In the six months to June 30 the company's turnover mustered a relatively modest increase to £111.17m (£106.5m) but, thanks to a cost-cutting programme in both textiles and engineering and to a fall in the interest charge profits rose more rapidly.

Baird Textiles — which includes supplies to Marks and Spencer and the Dannimac rainwear range—sported growth in turnover to £77.75m (£76.56m) and in operating profits to £5.13m (£4.39m).

In Darchem, the engineering division, turnover rise to £33.42m (£31.08m) and operating profits to £2.03m (£1.54m). The contribution from insulation work on the Torness and Heysham II nuclear power stations is beginning to decrease, as these contracts come to an end, but Baird is building up its activities in the aerospace, car and oil production industries.

The contribution from investments fell slightly to £494,000 (£571,000) largely because of the fall in interest rates. Central administration costs increased marginally to £205,000 (£185,000).

The increase in earnings per share to 14.3p (13.0p) was inhibited by a rise in the tax charge to £2.17m (£1.22m) this follows the utilisation of most of the Advance Corporation Tax formerly written off. The board proposes to pay a dividend of 5.68p (5.13p) a share.

Although Mr Donald Parr, the chairman, expects to see continued growth in profits in the second half, he warned shareholders that the growth will be at a slower pace than in the first half.

● **comment**

Year after year William Baird has produced an impressive performance and year after year it has been bandied about as a candidate for re-rating. Yet somehow Baird's re-rating has never materialised. The limited market in its shares offers one explanation, another is that the prospects of the end of the lucrative nuclear insulation contracts has clouded City perceptions of the company. With Torness and Heysham II approaching completion, nuclear earnings are already beginning to dwindle, but with this set of results Baird has proved that it is capable of drumming up new business from other aspects of precision engineering. Textiles seem to have survived dismal weather, the decline in US tourism and even pressure on margins from Marks and Spencer. Baird is now inclined to spend some of its surplus cash on diversifying into new niches of the textile industry. The City expects profits of £17m for the full year, producing yet another undemanding prospective p/e of 9.5.

Lionel Barber on Goldman Sachs' tender for Philip Hill's portfolio

The making of Maxwell's war chest

JUST five weeks ago, Lord Keith, the abrasive chairman of the Philip Hill Investment Trust, ruled out any role by outsiders to liquidate the trust. Despite several approaches from international securities houses, Lord Keith said: "We don't need their help. It is a blue chip portfolio."

Late on Wednesday night, an outsider appeared with an offer which even Lord Keith could not refuse. Goldman Sachs, the US investment bank, put in a successful tender offer for the bulk of PHIT's £830m portfolio.

The deal was struck hours after Mr Robert Maxwell's British Printing and Communication Corporation had declared its own cash and shares bid for PHIT unconditional as to acceptances, and soon after the market close on Wall Street.

Lord Keith (left), chairman of Philip Hill, and Mr Robert Maxwell, chairman of BPCC.

The timing was all important because of the combination in the portfolio of both UK and US stocks, including such as ICI, Prudential Assurance, BTR, the industrial conglomerate, General Electric of the US, Eastman Kodak and Du Pont, the chemicals group. The price of the tender remains undisclosed. But it is known that a US banking group and a Swiss banking group also tendered.

For Mr Maxwell, the deal represents a second successful attempt to raise funds via a successful bid for an investment trust, rather than the more conventional method of resorting to a rights issue. In May 1984, he made an agreed £53.7m bid for Bishopsgate Trust and, after a similar swift liquidation, picked up around £50m cash for BPCC, his fast-growing publishing and printing vehicle.

For Goldman Sachs, the successful tender is another high-profile deal, though its novelty should not be exaggerated. By taking a portfolio on to its books and then agreeing to distribute the stock around the world to clients, it foreshadows the new high-risk, deregulated securities trading associated with the forthcoming "Big Bang."

It is thought to be the second time that a trust has been bought and distributed in this fashion. County Securities recently helped Transatlantic Insurance to take over Continental and Industrial Trust.

The portfolio was liquidated for £135m, County took the portfolio off its client and, according to Mr David Cardale of County, "made a very satisfactory profit" post distribution.

Other UK players, such as Rowe and Pitman, have taken part, successfully, in tenders to buy and sell large portfolios for international institutions.

Indeed, Mr Maxwell pointed out yesterday that he had barred Rowe & Pitman from bidding for the portfolio because, as brokers, it had assisted in the sub underwriting of BPCC's cash alternative for PHIT. Rowe & Pitman confirmed yesterday that it would have like to tender along with its partner, Akroyd & Smithers. Like County, R&P, wearing what one partner calls its "Union Jack underpants," is keen to point out that the US investment banks do not have a monopoly on such "bought deals."

Mr Maxwell reckons BPCC has acquired "well in excess" of £300m for a war-chest, to be used for acquisitions. Hyperactive player in the bids and deals theatre in the UK and the US in recent months—last month he made a $111m (£74m) offer for Webb company, a US magazine publisher—Mr Maxwell was still talking yesterday of creating a global media empire with sales of £3bn to £5bn by the end of the decade.

There is, however, more to the deal than a "backdoor rights issue." Mr Maxwell is keeping PHIT's shares in Arlington Securities which will raise his stake in the property development and trading group to between 10 and 11 per cent.

Yesterday, Mr Maxwell was prepared to contemplate a closer relationship between the two companies. "If they are competitive, they could develop some of BPCC's property interests — which are substantial," he declared.

For Lord Keith, who has acquired a reputation for ousting incumbent chairmen in boardroom coups over the past 12 months, notably at Beecham, the pharmaceuticals group, and STC, the electronics and computers business, Wednesday's deal offers a neat escape for what might easily have been an undignified exit.

For 19 years, Lord Keith has been chairman of PHIT. In recent months, he had faced growing shareholder unrest. Institutions had voiced concern over the trust's unimpressive performance and its 1.6 per cent stake in Beecham which accounted for a bulky 15 per cent of assets.

In July, Barclays de Zoete Wedd, the financial conglomerate, put forward a plan for the trust's investment to be changed to mirror closely the stock in the UK equities indices. Shareholders representing 56 per cent of PHIT's shares backed the plan.

In retrospect, Mr Maxwell has done Lord Keith a rather good turn.

Chemicals aid Barrow Hepburn result

Barrow Hepburn Group increased pre-tax profits in the six months to June 30 1986 by 7 per cent from £935,000 to £1m on turnover down from £22.98m to £22.95m.

The board said the chemicals division's performance improved strongly, particularly in rubber and plastics, and most companies in the consumer products division also did well.

However, the board was disappointed with the performance of the engineering division, where the outlook continued to be less optimistic.

Earnings per 25p share in the period under review rose 12.5 per cent from 1.68p to 1.89p and the directors are declaring an unchanged interim dividend of 1p per ordinary share. The dividend payment will absorb £374,000 (£361,000). Tax takes £350,000, against £374,000 previously, leaving net profits of £652,000 (£561,000).

Crean expands to £2.6m

James Crean, Dublin-based distributor of industrial and electrical products—it also has interests in confectionery—said yesterday that trading conditions during the first six months to June 30 1986 were very competitive, both in Ireland and the UK. It was particularly so in Ireland where consumer expenditure was believed to be well down on earlier expectations.

All the group's companies were coping with those conditions and the trading performance of the recently acquired Freezer Queen division had been up to expectations. The directors said trading in the group as a whole since June 30 had followed a similar pattern.

Profits of subsidiaries increased from I£1.43m to I£2.36m to boost the group's pre-tax figure from £1.6m to £2.55m. Share of profit of an associate of £187,000 (£167,000) was included in the overall figure.

Sales rose from £42.13m to £50.57m. After tax down from £558,000 to £535,000, attributable profits merged at £2.01m compared with £1.04m.

The interim dividend is raised from 4.85p to 5.5p net—last year a total of 10.85p was paid from pre-tax profits of £4.6m. Stated first-half earnings per 25p share were 11.3p (7.78p).

Hampden Homecare rises 30%

Hampden Homecare, the Belfast-based home improvement store operator, yesterday reported pre-tax profits up 30 per cent from £279,000 to £363,000 in the 24 weeks to June 14 1986. This USM company is paying its first interim dividend of 0.5p—the total amount paid in the previous year.

The company, which operates its stores under a franchise agreement with Home Charm Group, increased its turnover by 11 per cent from £6.02m to £6.69m.

Mr J. P. Goldstone, the chairman, said Hampden had acquired 4.6 acres at Galwally in South Belfast with planning permission for a store with a retail area of 33,000 sq ft, together with a garden centre. It was planned to open the store next April.

After tax up from £114,000 to £136,000, attributable profits were £227,000 against £165,000, but there was an extraordinary debit of £50,000, which represented closure costs incurred in relation to two stores.

Stated earnings per 10p share improved from 1.65p to 2.27p.

WESTPOOL Investment Trust received gross income of £3.17m in the year ended April 30, up from £3.04m. The figure includes dividends of £2.50m (£2.24m) from London Merchant Securities. A final dividend of 1.256p is being recommended, making 1.6p for the year. It is also recommended that a final dividend of 0.257p is paid in respect of last year, making a total of 1.775p.

FRIENDLY HOTELS has separately acquired a nursing home at Chandlers Ford in Hampshire and a residential home in Bury St Edmunds for a total consideration of £1.4m in cash. Both homes are freehold and had combined profits of around £70,000 pre tax for their last 12 months of operation.

Perry looks for full year rise

HIGHER interest charges have left taxable profits of Perry Group, Ford and GM main dealer, down at £1.79m for the first six months of 1986, compared with £1.95m.

The directors, however, pointed out that the shortfall was eliminated in July while August looked to have been an excellent month and they said they would be disappointed if the full year's profit did not exceed the £3.36m for 1985.

Turnover expanded from £72.24m to £80.1m which yielded a gross profit of £5.42m (£4.92m). The pre-tax figure was after administration expenses of £3.08m (£2.67m), and interest £549,000 (£295,000) which included financial charges of £241,000 under leases.

After tax of £703,000 (£848,000) for the first half, earnings were given as 5.9p (6.1p) per share while the interim dividend is maintained at 1.65p—last year's final payment was 2.85p.

Profits from new car sales showed no improvement due to the continuing intense price competition and the reduction in manufacturers incentive programmes, but used car profits forged ahead with an increase of 88 per cent over the previous year.

Growth was also achieved in car and truck service, accident repair and self drive hire departments while truck sales showed a further decline.

The group has been opted to take up the new Iveco-Ford franchise at four locations and restructured its operations to take maximum advantage of this, the directors pointed out.

Contracts for the sale of the Aylesbury dealership site had been exchanged and a contract signed for the construction of new premises providing 50,000 sq ft of facilities on a prominent three acre site. Occupation was planned for May 1987, the directors said.

The 10 estate agent offices acquired had been reorganised and refurbished, particular emphasis being placed upon the development of in-house financial services.

The first "cold start" office opened in May and was performing well, with further offices under negotiation.

Wolstenholme recovers from US problems

Freed of the adverse effects of its Omnicrom US subsidiary, Wolstenholme Rink, Lancashire-based metals manufacturer, has increased interim profits by 54 per cent from £752,000 to £1.16m.

During the first half to June 30 the affairs of Omnicrom were re-organised and as a result it was now substantially free of third party debt and continued to trade at a modest level, directors stated.

Group turnover has risen to £14.02m (£11.88m). The interim dividend is being raised by 0.25p to 2.75p on basic earnings per share up to 12p from 5.6p.

Wolstenholme said trading across the group had been encouraging, with the exception of Omnicrom Systems in the UK, but its performance was slowly improving.

The directors expect a satisfactory outcome to the year.

Bodycote expands profits and operations in first half

Bodycote International, the metal treatment and protective clothing manufacturer, continued to expand its operations in the first half to June 30 and achieved a 41 per cent profits rise from £1.35m to £1.91m. Turnover rose 16 per cent from £19.23m to £22.34m.

The lower interest charge of £30,000 reflects interest on funds from the rights issue of last December.

Bodycote said it continued to develop and expand. In July it acquired Itex Safety, a safety equipment company, for £704,591. The consideration was satisfied by the issue of 296,766 Bodycote shares. Itex is being integrated into the group under the new name of Stephens-Itex Safety.

The interim dividend is being raised from 2.5p in the comparable period last year to 3.25p. After tax of £719,000 (£490,000), earnings per share increased 13 per cent from 10.6p to 12p.

The capital expenditure programme is almost complete, Bodycote said. A plasma nitriding unit had been commissioned at Aldridge. The Corby plant had begun trials and production was expected to start next month. The new sheradising factory at Aachen, West Germany, was working profitably.

The group is preparing to float its Dutch subsidiary, KLM Kledingbedrijven Ehco on the Amsterdam stock market in November. However, the decision on whether to proceed will depend on stock market conditions at the time.

Bodycote said all sections were trading well and it looks forward to another record year.

BOARD MEETINGS

TODAY

Interims: Breedon and Cloud Hill Lime Works, Horace Cory, Oasoutter, Oinkle Heel, Enterprise Oil, Goal Petroleum, Richardson Westgarth, Sapphire Petroleum, Wordplex Information Systems.

Finals: Northern Industrial Improvement, Telemetrix, West Yorkshire Independent Hospital, Zambia Copper Investments.

FUTURE DATES

Interims—	
Astbury and Madeley	Sept 25
Davidson Pearce	Sept 30
Finals—	
AB Electronic Products	Sept 29
Abingworth	Oct 1
American Electronic Cos.	Sept 22
Sarrat Developments	Sept 24
Dunton Group	Sept 29
EIO-Parry (India)	Sept 22
Finlay Packaging	Sept 25
MAI	Sept 25

Profit halved at Barr & Wallace

Although pre-tax profits at Barr & Wallace Arnold Trust were virtually halved at £161,000 for the first six months of 1986, against £313,000, Mr Barr, chairman, said he expected the full year's figure to be similar to the £1m for 1985.

Shareholders are to receive a maintained interim dividend of 2p net per ordinary and "A" ordinary share.

Turnover increased from £60.17m to £67.2m for the period. Trading profits, down from £581,000 to £336,000 were split as to: motor distribution £539,000 (£536,000); leisure and holidays £486,000 loss (£392,000 loss); fuel distribution £183,000 (£137,000).

Mr Barr explained that start-up costs and initial trading losses of a venture in Nottingham had accounted for the motor distribution division's reduced profits, and although overall the leisure and holidays sector increased its losses, some of the coaching and inclusive holiday activities were expected to be profitable in the second half to an extent likely to give the division an improved result on the year.

After first half tax of £75,000 (£76,000) earnings were given as 1.4p, down from 3.9p.

Home Farm Products passes £1m mark

Home Farm Products, the Sheffield pork butcher, increased its pre-tax profits from £803,000 to £1.02m in the year to May 31 1986 on turnover, net of VAT, up from £28.21m to £28.53m.

The final dividend is unchanged at 2.1p for a same-again total of 3.25p net. Stated earnings per 10p share improved from 11.8p to 14.7p.

Tax for the year was higher at £330,000 compared with £254,000. Goodwill written off was £8,000 against £135,000, leaving an undistributed profit in the group of £2.35m (£1.82m) to be carried forward.

Banro rights

Banro Industries' one-for-three rights issue is at 140p per share not 40p as stated yesterday.

UK COMPANY NEWS

DPCE growth continues with 45% profit rise

BY RICHARD TOMKINS

DPCE, the computer maintenance company which has acquired a reputation for turning in a 40 per cent growth in pre-tax profits each year, yesterday reported a 45 per cent increase from £2.91m to £4.23m for the year to June 30 1986.

The figure was buoyed by the proceeds from the previous year's rights issue which took the net interest receivable figure up from £370,000 to £900,000, but turnover also surged ahead from £13.51m last time to £2[illegible].

The earnings per share figure, however, was dampened by dilution from the rights issue and an increase in the tax charge from 36 per cent to 38 per cent, and came out at 9p against an adjusted 7.1p last time. A final dividend of 1.32p is being recommended, making 1.9p for the year against an equivalent 1.5p.

Mr Harvey Tordoff, finance director, said the rate of turnover growth had not been matched at the pre-tax level because it reflected the acquisition of the Storage Technology businesses in the Netherlands and Belgium.

These previously loss-making businesses had contributed around £600,000 to profits, but their revenue contribution of £6.8m meant that they were still operating at a lower margin than the rest of the group's activities.

Mr Tordoff said DPCE was particularly pleased with the performance of its US operations which in their second year had contributed about £1m in revenue and £150,000 in profits. The mainstream UK activities had also performed well with new business from existing clients and additional customers.

DPCE views the prospects for the current year as excellent, with good growth coming from the US, strong advances in the Netherlands and Belgium and a buoyant performance from the UK activities.

The company is looking for opportunities to open up operations in another European country.

● **comment**

DPCE's pre-tax profits were towards the lower end of the range of expectations, perhaps because some had underestimated the extent to which the building up of the sales operation would add to overheads, but the increase was nevertheless far ahead enough of the customary 40 per cent to leave the market satisfied. No company can maintain this rate for ever and one day that 40 per cent will turn out to be a painful hostage to fortune, but the day is not in sight yet: the market penetration of independent computer maintenance companies in the UK is still at only 5 per cent, leaving ample scope for growth even without the European expansion and those interesting foundations laid in the US. For the current year the City is confidently looking for at least £6m, putting the shares, at 240p, on a prospective p/e ratio of 18 after a 38 per cent tax charge. That is probably high enough: DPCE is a quality business with good prospects, but the price already reflects that, and these are not the days for heady multiples.

More O'Ferrall surges to over £2m

By Alice Rawsthorn

More O'Ferrall, the outdoor advertising group, watched its shares rise by 13p to 143p yesterday in response to a five-fold increase in pre-tax profits to £2.05m in the first half of the year fuelled by growth in the poster advertising market and the acquisition of the poster company, Adshel.

"Although the acquisition of Adshel accounts for much of the growth in turnover we have seen a marked improvement in the UK poster market, where turnover for both the old More O'Ferrall and Adshel increased by 22 per cent," said Mr Russell Gore-Andrews, the company's chairman.

In the six months to June 30 More O'Ferrall increased turnover to £13.5m (£8.25m) and operating profit to £2.39m (£342,000). The interest charge rose steeply, however, because of the borrowings incurred by the acquisition of Adshel, to £345,000 (£163,000). Earnings per share rose to 4.8p (1.6p) and the board proposes to pay an interim dividend of 1.2p (1p) — last year's final was 3p.

More O'Ferrall bought Adshel — which markets poster sites in bus shelters — last year. Hitherto, Adshel had been an associate company in which More O'Ferrall owned a 50 per cent holding. In the first half of 1985 Adshel contributed £197,000 to More O'Ferrall.

The company has recently introduced faster, more flexible poster services for both Adshel and More O'Ferrall. It has also embarked upon a spoof advertising campaign for Adshel and on the sponsorship of a creative poster design award.

"Demand for posters is fairly firm at the moment," said Mr Gore-Andrews. "And we expect the improvement in our performance to continue into the second half."

In the current year More O'Ferrall is concentrating on augmenting its airport activities in conjunction with the British Airports Authority. It has just added sites at Belfast Airport and Heathrow's Terminal Four to its portfolio.

Continental Microwave 36% ahead at £0.9m

Increased international demand for communications equipment has boosted pre-tax profits at Continental Microwave (Holdings), a Luton-based USM company. The company yesterday reported profits up 36 per cent from £708,000 to £936,000 for the year to June 30 1986, on turnover higher at £10.98m compared with £8.74m.

The final dividend is increased from 2.25p to 2.75p net for a total of 4.5p (4p), an increase of 13 per cent. Stated earnings per 25p share were down from 20.3p to 17.4p basic, and were 18.4p (nil) fully diluted.

Another contributing factor to the company's improved profits was its new defence capability and a much improved second half in the US operation at RF Technology Inc.

Tax for the year rose from £205,000 to £416,000, and after dividends of £220,000 (£102,000), retained profits came out at £327,000, compared with £401,000.

Blanchards jumps 44%

Boosted by greater contributions from the London retail and UK contracts department and the estate agency, taxable profits of Blanchards, the USM-quoted interior designer and decorator, expanded by 44.3 per cent from £577,000 to £833,000 for the year ended June 30 1986.

This trend is expected to continue and in spite of a general economic downturn in the Middle East the directors stated that the current order book and the value and quality of projects under negotiation gave good cause to view trading and prospects with confidence.

After a tax charge of £354,000, compared with £219,000, earnings were given as 9.2p, against 6.66p, while, as forecast, there is a final payment of 3p lifting the total dividend to 4.5p.

Turnover amounted to £8.05m compared with a previous £12.53m.

In London the directors said that the range and diversity of interior decoration projects completed successfully for UK clients had increased markedly and there had been a perceptible improvement in the level of work and enquiries for its services from corporate clients.

The directors pointed out that the Clifton showrooms reduced losses substantially and the company expected further improvements from both the kitchen/bathroom business and Clifton Interiors.

In the Middle East and North Africa the company continued to attract substantial demand for its design and furnishing services.

The group's estate agency had an excellent year with demand for properties at the upper end of the market continuing strongly, the directors pointed out.

The new landscape company had secured several projects in the Middle East and good results were anticipated from this sector.

Delaney Group

Delaney Group, furniture maker and distributor, lifted pre-tax profits from £268,000 to £291,000 in the first half of 1986. This corrects yesterday's report on the interim results which quoted the net taxed figures as pre-tax.

APPOINTMENTS

Reorganisation at Midland Bank

MIDLAND BANK has made a number of senior appointments following the decision, announced last March, to organise the group into four major sectors: retail banking, corporate banking, investment banking and international banking.

Mr John A. Brooks, deputy group chief executive, will assume responsibility for line operations throughout the group. Reporting to him will be the chief executives of the four main business sectors: Mr Ian Paterson (retail banking); Mr Brian L. Goldthorpe (corporate banking); Mr Ernst W. Brutsche and Mr Robert F. B. Logan (investment banking); and Mr Herve de Carmoy (international banking). Mr John G. Harris, an executive director, will be responsible for central resource management, including communications, purchasing and property management, group consultancy and the administration of central service departments. Mr Rodolfo Bogni, chief financial officer, international, becomes special projects director. Mr Ian C. Morison, an assistant general manager, becomes group corporate affairs director.

Mr Michael J. Fuller, general manager, business development division, becomes UK operations director. He will exercise day-to-day responsibility for retail banking operations throughout the UK, while retaining his present responsibility for marketing. Mr A. E. (Eddie) Robinson, a general manager, becomes financial services director. Mr Denis C. Long, a general manager, becomes delivery systems director.

Mr David R. W. Potter becomes global corporate banking director. He will have responsibility for the group's relations with multinational corporations (together with their UK subsidiaries) and the largest UK corporate customers. He will retain his Samuel Montagu directorships. Mr A. Ian Mullen, a corporate financial director, becomes global specialised industries director, with responsibility for the group's relations worldwide with the shipping, aerospace and oil end energy industries and with non-bank financial institutions. Mr Rodney P. Baker-Bates, general manager, group corporate banking unit, becomes commercial banking director. He will progressively assume responsibility for the group's other key corporate relationships in the UK. Mr Geoffrey A. Freestone, general manager, group risk management, becomes credit and risk director. Mr Ian Cotterill, a director of Forward Trust Group, becomes business resources director.

★

Changes at Littlewoods

Mr A. A. Hutchison, deputy group chief executive of THE LITTLEWOODS ORGANISATION and managing director of the mail order division, is to retire on December 31, to concentrate on group strategic matters as deputy group chief executive. Mr A. J. McCann will join Littlewoods on October 1 as deputy managing director of the mail order division end will become managing director from January 1 when he will be appointed to the group board. Mr McCann joins from Allegheny International where he was corporate vice president. He was also president and manging director of Allegheny's Sunbeam international division.

Mr W. Huntley has been confirmed as managing director of the chain store division from October 1. He joined Littlewoods in October 1984 as director — group management services and was appointed acting managing director of the chain store division on April 1 this year. Mr Huntley will relinquish the post of director — group management services on October 1.

★

Mr Bernard P. Horn has been appointed senior international executive for NATIONAL WESTMINSTER BANK'S corporate financial services, international banking division, dealing with special financial services. He succeeds Mr Roger Byatt, who has been appointed regional general manager, corporate financial services. Mr Horn was controller of the bank's marketing and co-ordination section.

★

E. W. BLANCH CO, of the US, has completed the purchase of the outstanding equity in Bradstock Blanch previously held by Bradstock Group and the name of the company has been changed to E. W. Blanch (U.K.). The directors will be Mr R. V. Craig (chairman), Mr A. F. C. Fox (managing director), Mr P. S. Walker (financial diretcor and company secretary), Mr S. F. Stonhill, Mr E. W. Blanch Jr, Mr F. S. Wilkinson Jr, Mr M. W. Cashman Sr, Mr P. S. Mavros, and Mr C. J. Bowring, a director of Robert Fleming Insurance Brokers, who will furnish services to the new company.

★

CHANCERY SECURITIES has appointed Mr Michael S. Cohen as a banking consultant. He was previously a consultant to Brown Shipley & Co.

★

NEXT has appointed three executive directors; Mr David Charles Jones, Mr Peter Francis Lomas and Mr John Herbert Whitmarsh, and one non-executive director, Mr Herbert John Hann.

★

Mr Richard Holden has joined WESTWOOD INFORMATION TECHNOLOGY as managing director. He was managing director of CalComp Europe.

★

F. H. TOMKINS has made the following subsidiary appointments: Mr John Starbuck as managing director of Twiflex, and Mr Peter Graham as managing director of Firth Cleveland Engineering. Mr Starbuck was previously director and general manager of EMI-MEC and Mr Graham, general manager of two companies in the H A Light group.

★

Mr David Wallis has been appointed a director of NORMANS GROUP.

★

UNION BANK OF SWITZERLAND (SECURITIES) has appointed Mr Cees Moerman as director money market instruments. He will take charge of a new department responsible for co-ordinating primary and secondary market involvement in floating rate notes, Euro notes, Euro commercial paper and other Euro money market instruments; he previously headed the trading activities at UBS Securities. Mr Cliff Hazell has been appointed director of trading and will take up his post in the near future. He was with Shearson Lehman Brothers International Inc.

★

Mr Uri Dadush has been appointed chief executive of BUSINESS INTERNATIONAL, a business information company acquired by The Economist Group in July. He is group vice nresident, international, for Data Resources Inc.

★

Mr Chris Bennett, formerly a chief manager (dealers) in BARCLAYS' head office foreign exchange and money market centre, has been appointed e deputy treasurer of the bank. He is succeeded by Mr Trevor Case, formerly a deputy chief manager.

★

TIPHOOK, Bromley, has made the following appointments: Mr Ron Camfield joins Central Trailer Rental as operations director. He was with A1 International Motor Engineering as managing director. Mr Rod Stevel joins Tiphook Container Rental as commercial director. He was with Gray Mackenzie Marine Services EC (Bahrain) as fleet manager. Mr Robert Goodall joins Tipbook Container Rental as marketing manager-Europe. He was with International Container Leasing as sales manager.

★

Mr M. J. L. Kelly, chairman and chief executive of M. W. MARSHALL & CO, moneybroking subsidiary of the Mercantile House Group, intends to retire during 1987. In the meantime he will remain chairman but will be succeeded immediately as chief executive by Mr M. J. Warren. At the time of Mr Kally's retirement Mr Warren will be appointed chairman and Mr R. H. Smith will become chief executive. Mr Kelly will remain deputy chairman of Mercantile House Holdings.

★

To strengthen its marina reinsurance broking division the BRADSTOCK GROUP has purchased a controlling interest in a reinsurance broking company headed by Mr Vincent Byrne. This company has been renamed Bradstock Byrne & Partners and the directors, in addition to Mr Byrne, are Mr Giles Gleadell, Mr John Cliff, Mr Malcolm Stratten, Mr David Bradstock, Mr Robin Gibson, Mr David Plunkett and Mr Peter Cresswell.

★

VIKING AIR FREIGHT and its associated export company, Trojan International, have eppointed Mr David Warrick as financial director. He joins from Unilever.

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price	+ or −	Net. Div.	Times Cov'd	Gross Yield	P.E. Ratio
160	F.P.	5/9	185	165	Acatos & Hutcheson50p	178	......	bd 5.25	2.9	4.2	11.9
‖	F.P.	—	53	41	Bertrams Inv. Tst	42	......	—	—	—	—
§45	F.P.	—	59	50	‡Broad St. Grp.10p	56	......	b1.1	2.2	2.8	23.1
100	F.P.	4/9	85	84	Child Med C.IT£1‡‡	85	......	—	—	—	—
§110	F.P.	12/9	130	111	‡Colne Int 5p	129	......	R2.7	3.4	3.0	14.1
§130	F.P.	17/10	195	152	‡Creighton Labs 20p	193	+5	U3.7	2.2	2.7	23.4
160	F.P.	—	146	136	Euro Home Products 5p	137	+1	R4.25	2.5	4.4	10.5
§105	F.P.	—	112	105	‡Eve Construction	110	......	u4.5	3.2	5.7	7.8
134	F.P.	—	161	134	‡F & H Group 10p	147	......	L4.76	2.5	4.6	12.1
150	F.P.	25/7	172	150	Guthrie Corp	164	−2	u5.3	2.2	4.6	10.5
150	F.P.	15/8	165	156	Harrison Inds. 10p	159	+2	u5.0	2.7	4.5	11.8
105.25	F.P.	—	108	104	India Fund £1	108	......	—	—	—	—
—	F.P.	29/8	£39	£36	JF Pacific Warrant S.A.	£37	......	—	—	—	—
110	F.P.	5/9	98	88	‡Marina Dev. 50p	88	......	R3.13	3.0	5.0	8.5
§75	F.P.	24/10	79	75	‡Newage Trans 5p	75	......	R3.5	2.5	6.6	8.5
§25	F.P.	22/10	25½	25½	Nth of Scotland Inv 10p	25½	......	—	—	—	—
§33	F.P.	29/8	34	27	‡Omnitech 1p	28	......	—	—	—	—
—	F.P.	—	16½	9	Sutcliffe Speak Wrnts	15½	......	—	—	—	—
130	F.P.	21/8	173	137	‡TV-am 10p	167	+1	R5.75	2.6	4.8	11.2
††	F.P.	—	100	85	Welsh Ind. Inv. Tst. 5p	85	......	—	—	—	—
125	F.P.	10/10	156	138	Yorkshire TV	138	−1	R6.25	2.4	6.4	9.3

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price £	+ or −
£100	F.P.	23/10	100½	95	Bournem'th & Dist. Wtr 10⅞% Rd Db 1996	95	......
‖	F.P.	10/10	103p	96p	Egerton Tst 7% Cv Cm Red Pf	96p	......
¶¶	F.P.	26/9	94	84	Hollis 252% Cnv. Subord. Ln. 1998 (25p)	84	......
—	—	—	29	27	JF Pacific Warrant S. A. Pref.	27	......
§100	£10	—	9½	8½	Mid-Sussex Water11% Red Deb2012-16	9	+½
§100	F.P.	10/10	110½p	105p	Mountleigh 5.25% Cnv. Cum. Prf.	110p	......
§99.937	£25	24/10	25¼	23¾	Nationwide 3⅞% IL Ln 2021	24¼	......
—	F.P.	—	100⅝	99¼	Do 10¼% 17/8/87	99¼	......
—	F.P.	—	100⅝	99½	Do 9⅞% 7/9/87	99½	......
—	F.P.	—	100⅜	100	Do 10⅜% 21/9/87	100	......
§100	£10	29/10	10⅛	5	Portsmouth Water 10⅝% RedDeb 1996	5	−½
‖	Nil	24/10	8¼pm	2⅞pm	Rush & Tomkins7.5%Cnv.Cum.Red.Prf.£1	2⅞pm	......
96.645	£25	—	24¼	21	Scot. Met. Prop. 10¼% 1stMort.Deb.2016	21	−½
—	F.P.	—	98p	96p	Sutcliffe Speak 9½% Red. Cum. Prf.	98p	+2

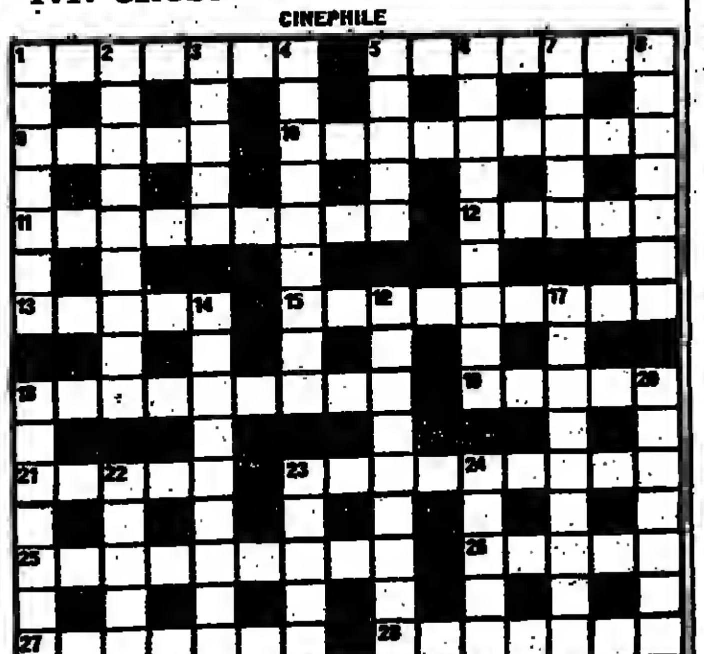
"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price p	+ or −
168	F.P.	10/10	201	185	Allied Irish Banks	201	......
200	Nil	24/10	8pm	5pm	Berkeley Technology	9pm	......
138	F.P.	10/10	146½	140	Brown & Tawse	145	......
‖	Nil	24/10	1pm	½pm	Camblem Venture Cap. 5p	1pm	......
25	Nil	—	8pm	8pm	Christy Hunt	8pm	......
276	F.P.	14/10	306	295	FII Group	295	......
215	Nil	—	5pm	3½pm	New Court Nat.Res. 5p	3½pm	−½
215	Nil	22/10	25pm	15pm	Persimmon 10p	18pm	......
315	F.P.	24/10	345	330	Sedgwick Group 10p	331	......

Renunciation date usually last day for dealing free of stamp duty. *a* Annualised dividend. *b* Figures based on prospectus estimates. *d* Dividend rate paid or payable on part of capital, cover based on dividend on full capital. *g* Assumed dividend and yield. *h* Assumed dividend and yield after scrip issue. F Forecast dividend cover on earnings updated by latest interim statement. H Dividend and Yield based on prospectus or other official estimates for 1987. L Estimated annualised dividend, cover and p/e based on latest annual earnings. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma Figures *t* Indicated dividends; cover relates to previous dividend; p/e ratio based on latest annual earnings. *e* Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ‖§ Introduction. ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ‖‖ Allotment price. ‡ Unlisted securities market. †† Official London listing. ‡‡ Including warrants entitlement.

F.T. CROSSWORD PUZZLE NO. 6,129

CINEPHILE



1 downs in the solutions could be ranked thus: 18d., 10, 5 ac., 11; 9-20, 28, 21-28, 17, 21, 5 ac.; and 23 d.—5 ac., 12—1 d (see also clues to 10 and 11). Most of these have incomplete clues.

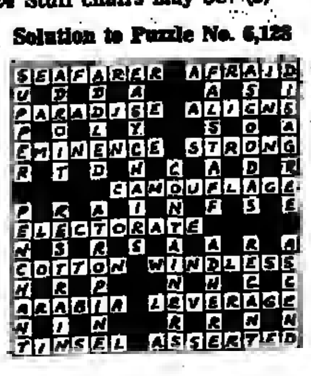
ACROSS

1 There's no fledging like an aepyornis (3,4)
5 Suitable in a murderer (7)
9 Subject for runners (5)
10 Not quite usual opening notes could follow air (9)
11 Teller on the wing, perhaps (9)
12 Guide to religious sect (5)
13 Do nuclei do it again? (5)
15 Junior worker, not working, in charge: obey, wriggling (6-3)
18 Dreads exposure—see name on envelope (9)
19 I mess about, which is shocking (5)
21 Study for degree with chartered accountant on island (5)
23 Angora? Argo has it for a change (5,4)
25 Pop's sort of cake and (briefly) sort of bread (4-1-4)
26 Part of body displayed by model on drugs? (5)
27 Gives respect and uses reference book (5,2)
28 Enlarge version for the public (7)

DOWN

1 Policeman, if force is used? (7)
2 Fantastic place where alderman sadly died (9)
3 Sort of rubber used for home climbing aid (5)
4 Frozen-up couple (American) leaves-dropping (9)
5 Old garment used by Lucy Martin (5)
6 Likelihood of crop pests? (9)
7 A tax on coral? (5)
8 Road sign needs lighting up—have a go! (2,5)
14 Digital indicators of colours around a coil of rope (3,6)
16 Awful waffle by convict showed colours (4,1,4)
17 With Rose about I go gallivanting (9)
18 Awfully dim in inland sea (7)
20 God comes before prince (7)
22 Scotman's love for chimpanzee (5)
23 Musicians, almost mature? (5)
24 Stuff chairs may be? (5)

Solution to Puzzle No. 6,128



AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

[illegible]

Waverley Asset Management Ltd (a) (c) (g)
13 Charlotte Sq, Edinburgh 031-225 1551

Australasian Gold	20.5	21.9	-0.5	0.15
Pacific Basin	16.4	17.5	....	0.2
Canadian Balncd Grwth	56.8	60.7	+0.1	0.98
Gimlic Max	101.9	106.1	+0.4	7.1

WestAvon Unit Trust Managers Ltd(a)(c)
9 Portland Square, Bristol BS2 8SS 0272 428431

British Smllr Co's (z)	57.9	59.5	+0.9	1.75
British Growth (z)	66.6	68.5	+0.3	2.00
British Income (z)	66.2	68.1	+0.4	4.50
British Extra Yield(z)	50.2	51.6	----	6.50

Whittingdale Unit Trust Managers
2 Honey Lane, London EC2V 8BT 01-606 9085/6

Short Dtd Gilt Fd	67.7	68.8	----	0.00
U.S. Govmt Bond Fd	0.511	0.513	----	—

Windsor Trust Mngrs Ltd
83 Kingsway, London, WC2B 6SD 01-405 8331

Cerntrl & Equity Tst	48.8	52.0	-0.1	7.99
Growth Trust	51.7	55.0	----	2.26
Income Trust	53.4	56.9	-0.2	5.11

Wright Seligman Fund Managers Ltd
11 Blomfield St, London EC2M 7AY 01-588 0592

Growth Fund	69.1	72.6	----	2.90

Weekly dealing day Tuesday

The Yorkshire General Trust
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250

Y.G.T.	126.4	134.5	----	3.24

INSURANCES

AA Friendly Society
(Investment Mngs M & G Inv Mngt Ltd)
PO Box 93 Cardiff CF1 4NW 0222 35542

AA Friendly Sy Aug 12		105.9	----	—

Abbey Life Assurance Co Ltd
80 Holdenhurst Road, Bournemouth 0202 292373

Prop. Ser. 1	207.2	218.2		—
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

City of Edinburgh Life Assurance
46 Charlotte Sq, Edinburgh EH2 4HQ 031-225 1655

Ivory & Sime Bond	104.0	110.0	----	—
Risk & Reward Bond	125.1	128.0	-2.0	—
Murray Johnstone Fd	121.0	128.0	----	—
Money Market Fd	101.0	107.0	----	—
Ivory & Sime Pens Fd	106.0	112.0	----	—
Risk & Reward Pens Fd	105.0	111.0	----	—
Murray J'stone Pens Fd	118.0	125.0	----	—
Money Market Pens Fd	101.0	107.0	----	—

City of Westminster Assurance
Sentry House, 500 Avebury Boulevard, Cent Milton Keynes MK9 2LU Tel: 0908 690888

Current Series

Property Fund	113.0	119.0	----	—
Money Fund	222.4	234.2	+0.2	—
Managed Fund	402.6	423.8	+1.5	—
Equity Fund	253.9	266.9	+0.2	—
Fixed Interest Fund	144.2	151.8	+0.8	—
Far East Fund	209.7	220.8	----	—
North American Fund	165.8	174.6	+1.7	—
Natural Resources Fund	137.5	144.8	+2.6	—
Pension Managed Fund	377.1	397.0	+0.8	—
Pension Equity Fund	239.2	251.8	-0.5	—
Adventurous Mngd Fd	111.0	116.9	-0.2	—
Balanced Mngd Fd	107.0	112.7	+0.1	—
Conservative Mngd Fd	105.3	110.9	+0.1	—
European Fund	103.8	109.3	-1.6	—
International Fund	110.1	115.9	+2.7	—

For other prices please telephone 0908 606101/660888

Clerical Medical/Fidelity International
Narrow Plain, Bristol BS2 0JH 0272 290566

Investment Funds

Mixed	131.3	138.3	+0.9	—
Equity	150.7	158.7	+1.2	—
Property	109.1	114.9	....	—
Gilt & Fixed Interest	108.5	114.2	-2.5	—
Indexed Securities	100.2	105.5	-0.2	—
Cash	107.5	113.2	----	—
North American	102.7	108.2	-0.1	—
Far East	128.9	135.7	+2.5	—
International	122.7	129.2	+0.8	—
Special Situations	143.0	150.6	+1.1	—
International Income	138.7	146.0	+0.5	—
American Income	112.9	118.8	-0.3	—
European	146.6	154.4	+1.6	—

Flexible Retirement Plan

[illegible]

AUTHORISED UNIT TRUSTS & INSURANCES

[illegible]

INSURANCE, OVERSEAS & MONEY FUNDS

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

World Fund S.A.
2 Boulevard Royal, Luxembourg

World Fund NAV	$18.33		+0.01	—

World Wide Growth Management
10a, Boulevard Royal, Luxembourg

Worldwide Gth Fd	$16.22		+0.18	—

Inv. Adv.: M. & G. Inv. Mngt., Ltd, London

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg

Advanced Tech	$16.89		+0.10	—
Dynamic Gwth Fd	$18.87		−0.17	—

Zero Bond Fund Limited
PO Box 208, St Peter Port, Guernsey 0481 26268

Zero Bond Fund	$11.93	12.64		—

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
The Charities Deposit Fund				
2 Fore Street, London EC2Y 5AQ			01-588 1815	
Deposit	9.50		—	3-Mth
The Money Market Trust				
63 Qn Victoria St, EC4N 4ST.			01-236 0952	
Call Fund	9.09	6.65	9.70	Mth
7-day Fnd	9.30	6.83	9.93	10.65
Oppenheimer Money Management Ltd				
66 Cannon St, EC4N 6AE.			01-236 1425	
Call Fnd	9.44	6.68	9.56	6-Mth
7-day Fund	9.18	7.16	10.27	6-Mth
Dollar	4.75	—	—	6-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc				
22 Charlotte Sq, Edinburgh EH2 4DF			031-225 8484	
Full Service Chr Acc	9.25	6.80	9.62	Qtr
Allied Home				
30 City Road, EC1Y 2AY.			01-638 6070	
Treasury Acc.	9.25	6.91	9.95	Qtr
Hi. Int. Chq.	9.25	6.93	10.04	Mth
Allied Arab Bank Ltd				
97-101 Cannon St, London, EC4N 5AD			01-283 9111	
High Int. Cheque Acc	10.325	7.57	11.04	Mth
Bank of Scotland				
38 Threadneedle St, EC2P 2EH.			01-628 8060	
Money Mkt Cheque Acc	9.30	6.95	10.11	Mth

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		p
Allied-Lyons	30	NEI	11
Amstrad	23	Nat West Bk	45
BAT	35	P & O Dfd	45
BOC Grp.	28	Plessey	18
BSR	11	Polly Peck	16
BTR	28	Racal Elect	16
Babcock	17	RHM	28
Barclays	45	Rank Org Ord	45
Beecham	49	Reed Intnl	75
Blue Circle	55	STC	26
Boots	22	Sears	12
Bowaters	30	TI	42
Brit Aerospace	45	Tesco	32
Brit. Telecom	17	Thorn EMI	40
Burton Ord	28	Trust Houses	15
Cadburys	17	Turner Newall	18
Charter Cons.	22	Unilever	120
Comm Union	28	Vickers	40
Courtaulds	26	Wellcome	17
FNFC	17	**Property**	
Gen Accident	75	Brit Land	16
Gen Electric	17	Land Secs	30
Glaxo	85	MEPC	32
Grand Met	34	Peachey	24
GUS 'A'	85	Samuel Props	25
Guardian	75	**Oils**	
GKN	32	Brit. Oil & Min.	2½
Hanson Tst.	16	Brit Petroleum	48
Hawker Sidd	40	Burmah Oil	30
ICI	55	Charterhall	4
Jaguar	38	Premier	3½
Ladbroke	32	Shell	55
Legal & Gen	24	Tricentrol	11
Lex Service	28	Ultramar	18
Lloyds Bank	38	**Mines**	
Lucas Inds	52	Cons Gold	40
Marks & Spencer	18	Lonrho	24
Midland Bk	44	Rio T Zinc	50
Morgan Grenfell	30		

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

Malaysian leader comes clean on tin buying operation

BY WONG SULONG IN KUALA LUMPUR

THE MALAYSIAN Government has for the first time admitted it was behind the mystery tin buying operation on the London Metal Exchange in 1982 which ended in losses estimated to run into several hundred million dollars.

All along, the government has denied its involvement. But it has reversed its position now because the episode was threatening to develop into a serious political scandal, with the opposition Democratic Action Party alleging corruption.

Dr Mahathir Mohamad, the Prime Minister, admitted the government was the mystery buyer, but he told the annual meeting of his ruling United Malays National Organisation yesterday that the decision was in the national interest and to protect the tin industry, because LME brokers were depressing prices by selling short.

Dr Mahathir said the operation would have been a success if the LME had not "cheated" and amended its rules to allow limited penalties for non-delivery. This led to the collapse in tin prices.

As far as the outside world was concerned, the mystery in buying controversy died down after several weeks. But it simmered on in Malaysia until it exploded into a potentially damaging scandal earlier this year, when Mr Lim Kit Siang, opposition leader in parliament, alleged that mony from the government-managed employees Provident Fund (EPF) was being invested in an unusual manner and suggested corruption.

Dr Mahathir explained yesterday that to recover the tin losses, the government used money from the EPF to buy cheap shares offered by companies seeking a listing on the stock exchange.

These shares were then transferred to a little-known company, Makuwasa, for resale on the open market, and profits were channelled to the government.

No politician or government official benefited personally from the tin buying operation or the EPF-Makuwasa deal, he said.

"If the DAP has any proof of corruption by any politician or government official in the case, it should report to the anti-corruption agency," he said.

Dr Mahathir told the Umno assembly that the tin buying episode and the Bank Bumiputra Hong Kong loan affair were highlighted by the government's critics to undermine confidence and unity among the Malays. Other financial problems, such as the Pan-Electric Industries crisis, and the deposit-taking co-operative scanday were ignored.

The tin episode would have been quietly covered up if not for the unorthodox methods of the Malaysian Government to recoup its losses by using the 2 ringitt company—Makusawa—to play the local stock market.

The controversy began shortly after Dr Mahathir had taken over as prime minister. He has been known to be a strong critic of the marketing systems for Malaysia's commodities, particularly the control by consumers of the various commodity exchanges in main world capitals.

In early 1982, when brokers on the LME began selling short, the Malaysian government decided to teach them a lesson.

It was convinced by the arguments of an American commodity trader, believed to have been Marc Rich, who worked out a plan to corner the tin market. The Malaysian authorities did not realise that this consultant had earlier tried unsuccessfully to sell the idea to the Indonesian government.

"To stabilise prices, the government, through a registered broker on the LME bought forward tin from LME members. It's true the government cannot enter the market, but LME traders were speculating and depressing tin prices, causing great losses to us," Dr Mahathir said.

As settlement day approached brokers found they had no tin to deliver. This created a crisis on the LME, with traders facing the prospect of default.

At that time, the premium for cash over three months metal, known as backwardation, had exceeded £1,000 per tonne. However, the LME intervened and imposed a maximum premium of £120 per tonne for immediate delivery.

Tin prices subsequently fell sharply, leaving the Malaysian authorities with massive losses.

To this day, Dr Mahathir is bitter towards the LME, particularly after last October's crisis when the International Tin Council's buffer stock manager ran out of money to support prices, and the market collapsed.

Mr Lim Kit Siang, the opposition leader in parliament,

Dr Mahathir Mohamad: Malaysia the mystery buyer

alleged that money from a government-managed pension fund was being invested foolishly in speculative stocks, and shares were transferred in an unusual manner to the Makuwasa company.

Dr Mahathir clearly hopes that his lengthy explanation will help to clear the air about the tin buying operation. This is one of a number of occasions, since he led his Umno-dominated coalition government to a landslide victory in recent elections, where he has come clean on past mistakes and sought to dissociate himself from controversial businessmen who had given him a bad image.

● Malaysian Government approval for the Kuala Lumpur Tin Market to trade Indonesian and Thai tin is expected soon, Reuters reports from Kuala Lumpur.

A KLTM report on revamping the market has been submitted to the Primary Industries Ministry for consideration, and the ministry is likely to approve rule changes within a few weeks so that trading in non-Malaysian tin could begin by November, government and industry officials said.

INDONESIA, one of the world's leading tin producers, is mining tin at a profit for the first time in 10 months, Mr Timalu Sujatmiko, director of P. T. Tambang Timah, the state-owned tin company, claimed yesterday, writes John Murray-Brown from Jakarta.

This follows the government's recent 45 per cent devaluation of the rupiah, which Mr Sujatmiko described as "very positive and timely." World prices have fallen over the last 10 months from $12,000 a tonne to $5,500, following the collapse of the International Tin Council's price support operations.

Indonesia is continuing to play a maverick role in tin. While producers elsewhere are shutting mines and making huge lay-offs, Indonesia is set to increase production by more than 20 per cent this year to 27,000 tonnes, with no redundancies, Mr Sujatmiko said. The industry has a workforce of 30,000, and it accounts for 30 per cent of Indonesia's non-oil and gas export revenues.

● Thailand has granted corporate and personal income tax exemption for profits derived from tin trading, in order to encourage domestic tin demand which could help lift prices.

Strike threat to Australian coal

BY RICHARD HUBBARD IN CANBERRA

AUSTRALIAN coal exporters are expected to vie more aggressively for access to European markets following the lifting of restrictions on sales by the federal government, but their efforts may be thwarted by mining unions.

In a bid to improve the competitiveness of the Australian coal industry in an already over-supplied market, the government has relaxed controls over exporters to enable them to negotiate sales outside the existing restrictive price framework.

But the 30,000 strong Miners Federation is threatening to take strike action, fearful of the prospect of labour-intensive underground mines being made uncompetitive as a result of price-cutting by lower-cost open-cast mines.

Mr John Maitland, the Miners Federation president, said yesterday the government's proposed changes to export sales could lead to closure of underground operations which could not compete with the cheaper open-cast mines.

Mr Maitland is seeking a meeting with Mr Bob Hawke, Australia's Prime Minister, to discuss the changes to price control, and has threatened to call disruptive meetings of its members next week.

The Australian Coal Association representing mining companies believes the government changes are only a small move towards freeing the industry and has accused the union of over-reacting.

Mr Hawke said on Wednesday that prior approval of negotiating parameters for coal export sales was no longer necessary. The government still retained the right to veto any contracts it believed ran counter to the national interest.

The move is of small significance because the government has rarely refused approval to a negotiated export sale on coal, because of the importance of the industry to Australia's balance of payments.

Portuguese government in grain import row

By Peter Wise in Lisbon

PORTUGUESE cereal importers have accused the government of subverting an EEC-stipulated liberalisation of a state marketing monopoly by allowing the public grain enterprise to bid for the share of imports specifically allotted to the private sector.

Cereal producers, importers and industrial consumers who are behind the protest, said yesterday that the European Commission had warned the government that the admission of EPAC, the state grain marketing and distribution monopoly, to auctions for private sector import quotas violated the terms of Portugal's EEC membership and the Treaty of Rome.

Portugal, which imports 80 per cent of its grain, has agreed to phase out the state monopoly in 20 per cent steps over the next five years. This year the government has allotted 20 per cent of the country's expected 2.4m tonne grain imports to private companies and the remainder to EPAC.

But the government, reversing previous assurances, has allowed EPAC to bid at auctions for a share of the 20 per cent of imports intended for private companies. The state enterprise, in addition to its 80 per cent share of the total market, has already won contracts to import half of the 180,000 tonnes so far awarded at auction.

Brazil suspends beef exports

BY ANN CHARTERS IN SAO PAULO

THE BRAZILIAN Government has suspended all beef exports as part of sweeping measures intended to increase supplies for domestic consumption and put an end to speculators' efforts to raise beef prices. It has also removed all restrictions on imports of beef, pork and fish until December 1987.

With retail prices frozen since March and more money in consumer hands, demand has risen 30 per cent at a time when cattle are normally out to pasture fattening up. Imports of 250,000 tonnes of frozen meat from the US and Europe over the last month have failed to shorten queues at supermarkets and butchers' shops. Customers have to wait two hours or more to buy a ration of 2 lb of beef, a staple in the Brazilian diet.

Ranches with cattle ready for slaughter claim that the government-controlled price does not cover their costs. To provide some relief, the government is proposing to eliminate VAT on prices paid for carcases, effectively allowing slaughter houses to pay cattle men 12 per cent more.

Initial reactions from ranchers is that the increase is still too small. This week's action followed recent government action against illegal surcharges which resulted in beef becoming even scarcer.

To counter speculation, the government also took the unprecedented step of suspending cattle trading on the Sao Paulo commodities exchange while the central bank investigated claims of price manipulation. Futures contracts were being quoted at three times current prices for delivery in 12 months.

The government action came after four months of worsening shortages, with substitutes for beef starting to disappear as well. Chicken exports under contract may also be suspended as the government launches its most serious effort to date to hold the line on consumer prices. The Minister of Agriculture warned ranchers that if beef did not start appearing, the government was prepared to confiscate herds.

In spite of the tough talk and new measures, domestic supplies are not expected to meet demand before December, when cattle are normally ready for slaughter. Brazil's ports are clogged as a result of stevedores' strikes and inadequate facilities for efficient unloading of frozen meat.

Norway plans UK gas talks

Norway's state oil company STATOIL said it expects to begin talks with Britain next spring on sales of Norwegian gas, Reuter reports.

Mr Hakon Lavik for Statoil said the talks would not begin before the British Gas Corporation is privatised later this year.

Britain pulled out of an agreement to buy gas from the North Sea Sleipner field last year, saying its own reserves had been boosted by new finds.

But Mr Lavik said the UK would still suffer a shortfall of supplies in the 1990s and Norway could now offer considerably more flexibility than during negotiations for the Sleipner field which had to be sold as a whole.

Norway has now agreed to develop the big Troll and Sleipner fields in a sales agreement with a consortium of buyers from West Germany, France, Belgium and the Netherlands.

The gas will be piped to Zeebrugge in Belgium, and a separate link to Britain would be possible, Mr Lavik added.

Swiss to vote on sugar beet expansion

BY JOHN WICKS IN ZURICH

THE Swiss electorate will vote this weekend on whether the country's beet farmers should be allowed to increase their acreage at the expense of imports.

Migros, the leading retail co-operative, is backing a referendum proposal against a parliamentary move to expand domestic sugar production.

This is intended to be raised gradually to cover 55 per cent of Swiss needs, as compared with some 45 per cent at present. To this end, the sugar refineries in Aarberg and Frauenfeld would be obliged to accept 1m tonnes of beet annually at a guaranteed price as against a current maximum of 850,000 tonnes. According to Government estimates, this would lead to an expansion of beet acreage from 15,000 to almost 18,000 hectares.

The so-called sugar decree, which goes back to a majority decision in parliament in 1983, is supported by the Government. The federal council (Cabinet) is interested in boosting Switzerland's self-sufficiency in sugar, as well as encouraging farmers to cut back milk production in favour of beet.

At the same time, the government intends to reduce the subsidies it pays to counter the higher production costs in Switzerland, while increasing levies on imported sugar from SFr 17 to a maximum of SFr 33 per 100 kilos with the right in exceptional cases to raise these levies by up to 50 per cent.

Migros and other consumer representatives object to the anticipated increase in the sugar price. Apart from high production costs in Switzerland, they say import duties would at least double the frontier price of foreign sugar.

At present, Swiss sugar production is running at between 120,000 and 130,000 tonnes a year. Approximately 8,600 farms and smallholdings in Switzerland are engaged in growing beet.

Another bumper UK harvest seen

By Andrew Gowers

THIS YEAR'S UK cereal harvest could be the second largest on record, in spite of the variable weather over the past few weeks, according to a preliminary estimate published yesterday by the Ministry of Agriculture.

It said yield figures compiled in early September point to a total UK harvest of 25m tonnes, compared with last year's 22.5m tonnes and the all-time record of 26.6m tonnes achieved in 1984. Oilseed rape production could be a record 930,000 tonnes, it added.

However, the National Farmers' Union disputed the Ministry figure. Its own survey showed lower yields and a total cereal crop of around 24m tonnes.

Last year, the Ministry's initial harvest estimate turned out to be on the high side. This year, it puts wheat yields at 7 tonnes per hectare, while the NFU estimates them at 6.8 tonnes.

MARKETS LONDON

COPPER prices firmed further on the London Metal Exchange yesterday, with cash grade A metal closing up £5.50 on the day at £934.50 per tonne. The price was underpinned by a downturn in sterling's value against the dollar and continuing strength on the New York Commodity Exchange. Traders said market attention was focused on labour talks due at the weekend at Noranda's Horne smelter in Quebec following a spate of industrial disputes in Canada's resource industries. Elsewhere on the LME, nickel prices fell sharply in response to cash selling. On the London Commodity Exchange, robusta coffee futures paused after their recent renewed burst of activity. The November position closed at £2,466 per tonne, up £3.50 on the day. Cocoa futures held firm, bolstered by strong demand from the West German chocolate industry, sparked by the recent strength of the D-mark.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	828-30	+1	828/828
3 months	805-5.5	+0.75	805.5/803

Official closing (am): Cash 827-8 (831-2): three months 804-5 (808.5-9): settlement 828 (832). Final Kerb Close: 805-06. Turnover: 18025 tonnes.

COPPER

LEAD

NICKEL

TIN

ZINC

GOLD

SILVER

MEAT

RUBBER

POTATOES

INDICES

MAIN PRICE CHANGES

COCOA

COFFEE

SOYABEAN MEAL

GRAINS

US MARKETS

COFFEE FUTURES ended a choppy session only marginally higher on the day at 210c per pound, with initial gains being taken back by 4c before the market found support at 205.50c in the leading December position, reports Heinold. Onlookers noted some dollar-related trade bargain support, whilst light commission house profit-taking was thought to be the restrictive factor on the upside as the market balked at 214c seen on Wednesday. Traders seemed to ignore totally overnight reports of light rainfall in some Brazilian coffee growing areas. Gold also firmed on dollar weakness adding nearly $4 to December values to end at $422.5 per ounce, although many observers noted the reluctance of the market to advance beyond $425. Cotton futures extended their recent technically-based rebound to the upside booking a limit-up movement to leave the market at 43.10c per pound in the December position.

NEW YORK

CHICAGO

SUGAR

OIL

FREIGHT FUTURES

GAS OIL FUTURES

Tea plant modernisation

Two Sri Lankan state plantation corporations, the SPC and the JEDB, the largest owners of the country's tea estates, will re-equip 100 estate factories to produce the popular CTC (cut, tear and curl) teas to regain markets lost to Kenya and India, Mervyn de Silva reports from Colombo.

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar and pound very weak

STERLING FELL to its lowest level ever in currency markets yesterday as traders moved out of the dollar and sterling and into the D-mark and yen. Comments by various officials set the tone for a weaker dollar, and sterling tended to fall in line, reflecting a total lack of confidence.

Early trading saw the dollar fall below the DM 2.02 support level after comments by Mr Manuel Johnson, US Federal Reserve Board vice chairman, that a cut in US interest rates could not be ruled out.

In addition West German and Japanese officials were quick to underline their determination not to cut their rates for purely external reasons. This apparent war of words claimed its first casualty very quickly as the dollar fell through DM 2.02 in the morning. Around noon it was finely poised at DM 2.0050 ahead of US markets joining in and renewed selling soon after pushed the US unit quickly through DM 2.00 to a low of DM 1.9840. Rumours of financial trouble at BankAmerica continued, despite denials by the bank, and this further undermined confidence.

The dollar closed at DM 1.9900 down from DM 2.0275. This was its lowest level since January 1981. Against the yen it slipped to Y153.60 from Y154.75. It fell to its lowest level since June 1982 against the French franc to FFr 6.52 from FFr 6.6450 and a six-year low in terms of the Swiss franc at SFr 1.61 from SFr 1.6395. On Bank of England figures, the dollar's exchange rate index fell from 110.2 to 109.1, its worst level since January 1982.

STERLING — Trading range against the dollar in 1986 is 1.5555 to 1.3700. August average 1.4870. Exchange rate index fell to record closing low of 69.4, having touched an all-time low of 69.2 during the afternoon. Wednesday's close was 70.3 compared with 74.3 six months ago.

The pound fell sharply as traders lost confidence and moved into the D-Mark. It touched a record low against the D-Mark amid fears of lower oil prices and the effects on the UK balance of payments. The pound fell to DM 2.93 from DM 2.9925 and $1.4725 from $1.4755. Against the yen it fell to Y226.0 from Y228.50 and SFr 2.37 from SFr 2.42. It was also lower in terms of the French franc at FFr 9.6025

D-MARK — Trading range against the dollar in 1986 is 2.4710 to 1.9900, August average 2.0624. Exchange rate index 141.8 against 134.2 six months ago.

The D-Mark continued to be in demand in Frankfurt yesterday and this pushed the dollar below the DM 2.00 level for the first time in five and a half years. Trading was particularly busy in the afternoon as US markets came in as sellers. Sentiment was influenced by comments made by various US officials stressing that the dollar and US interest rates may have to fall. This itself was a direct response to statements made by West German and Japanese officials that their rates were not likely to fall. The dollar closed at DM 1.9910 down from DM 2.0325.

JAPANESE YEN — Trading range against the dollar in 1986 is 202.70 to 153.15. August average 154.15. Exchange rate index 216.1 against 196.1 six months ago.

The yen improved sharply in Tokyo as the dollar reacted to comments by US officials suggesting that US interest rates and the dollar's value may both have to be reduced. The US unit finished at Y154.25 down from Y154.95 in New York and Y155.95 in Tokyo on Wednesday. It touched a low of Y153.85 but traders became a little wary at the day's lows on fears of central bank intervention. Elsewhere the D-Mark rose to Y76.67 from Y76.21.

£ IN NEW YORK

Sept. 18	Latest	Prev. close
Spot	$1.4730-1.4740	$1.4740-1.4750
1 month	0.48-0.46pm	0.45-0.44pm
6 months	1.51-1.47pm	1.42-1.40pm
12 months	5.85-5.75pm	5.40-5.30pm

Forward premiums and discounts apply to the US dollar

POUND SPOT—FORWARD AGAINST POUND

Sept 18	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4630-1.4815	1.4720-1.4730	0.48-0.46c pm	3.79	1.50-1.46pm	4.01
Canada	2.0318-2.0550	2.0373-2.0402	0.30-0.21c pm	1.50	0.83-0.68pm	1.48
Nethnd.	3.30-3.38¼	3.31¼-3.32¼	1¼-1⅛c pm	4.52	4-3¾pm	4.57
Belgium	60.56-61.67	60.70-60.80	15-12c pm	2.67	46-41pm	2.86
Denmark	11.06¾-11.26¾	11.11¼-11.12¼	⅝-par ore pm	0.34	¾-¼pm	0.16
Ireland	1.0670-1.0850	1.0685-1.0695	0.04-0.14c dis	−1.01	0.10-0.30dis	−0.79
W. Ger.	2.91¼-2.97¼	2.92¼-2.93¼	1¼-1⅛pf pm	5.12	4-3⅞pm	6.38
Portugal	211.30-217.25	212.41-214.03	100-155c dis	−7.16	245-420dis	−6.24
Spain	192.50-196.25	193.14-193.72	20-45c dis	−2.02	26-86dis	−1.24
Italy	2020¾-2050¾	2024-2025	1-3 lire dis	−1.19	4-7dis	−1.08
Norway	10.59¾-10.71¾	10.82½-10.83½	3⅞-4⅜ore dis	−4.86	11½-11¾dis	−4.30
France	9.57¼-9.75¼	9.59¼-9.60¼	2-1¼c pm	2.34	4⅞-5⅛pm	2.53
Sweden	9.98-10.12¼	10.03-10.04	⅝-¼ore pm	0.52	2⅛-1¾pm	0.77
Japan	225-228½	225¼-226¼	1⅛-1y pm	4.91	2⅞-2¾pm	4.87
Austria	20.45-20.95	20.56-20.62	8⅞-7⅜gro pm	4.82	20¾-22¼pm	4.52
Switz.	2.35¾-2.41	2.36¾-2.37¾	1½-1c pm	5.30	3½-3¼pm	5.70

Belgian rate is for convertible francs. Financial franc 61.50-61.60. Six-month forward dollar 3.05-3.00c pm. 12-month 5.80-5.70c pm.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

Sept 18	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4630-1.4815	1.4720-1.4730	0.48-0.46c pm	3.79	1.50-1.46pm	4.01
Ireland†	1.3616-1.3786	1.3736-1.3746	0.70-0.36c pm	4.61	1.75-1.35pm	4.30
Canada	1.3858-1.3910	1.3868-1.3872	0.26-0.28c dis	−2.29	0.86-0.91dis	−2.55
Nethlnd.	2.2440-2.2810	2.2530-2.2540	0.17-0.14c pm	0.82	0.44-0.39pm	0.73
Belgium	41.25-41.89	41.20-41.30	3-4c dis	−1.16	10-14dis	−1.15
Denmark	7.53-7.62¾	7.54¾-7.55¼	1.70-2.30ore dis	−3.15	5.80-6.40dis	−3.21
W. Ger.	1.9840-2.0150	1.9895-1.9905	0.27-0.24pf pm	1.52	0.75-0.70pm	1.44
Portugal	142½-145½	142¾-144½	100-140c dis	−9.90	315-415dis	−10.04
Spain	131.00-132.86	131.40-131.60	50-70c dis	−5.44	160-195dis	−5.37
Italy	1372-1390	1374½-1375½	5-6 lire dis	−4.76	17½-19dis	−5.28
Norway	7.21½-7.25	7.21¾-7.22¼	4.50-4.90ore dis	−7.70	14.25-14.65d	−7.97
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc [illegible].

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr per 10: Lira per 1,000: Belg Fr per 100.

EURO-CURRENCY INTEREST RATES

[illegible]

Long-term Eurodollars: two years 6⅞-7⅛ per cent; three years 7⅛-7⅜ per cent; four years 7⅜-7⅝ per cent; five years 7⅝-7⅞ per cent nominal. Short-term rates are call for US dollars and Japanese yen; others two days' notice.

CURRENCY MOVEMENTS

Sept. 18	Bank of England Index	Morgan Guaranty Change %
Sterling	69.4	−23.8
U.S. Dollar	109.1	+1.1
Canadian Dollar	76.8	−13.1
Austrian Schilling	135.2	+8.8
Belgian Franc	97.4	−5.8
Danish Kroner	89.4	+1.2
Deutsche Mark	141.8	+19.6
Swiss Franc	170.5	+23.6
Guilder	130.5	+12.5
French Franc	70.6	−13.6
Lira	47.9	−15.7
Yen	216.1	+60.9

Morgan Guaranty changes: Average 1980-82=100. Bank of England index (base average 1975=100).

CURRENCY RATES

Sept. 18	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.825566	0.708227
US $	5½	1.21771	1.04145
Canadian $	8.47	4	1.44674
Austria Sch	4	17.2002	14.7146
Belgian Fr	8	50.7064	54.4351
Danish Kr	7	9.27408	7.92490
D'mark	3½	N/A	2.09248
Guilder	4½	2.76481	2.36504
French Fr	9½	8.01740	6.85577
Lira	12	N/A	1446.05
[illegible]	[illegible]	[illegible]	[illegible]

*CS/SDR rate for September 17: [illegible]

OTHER CURRENCIES

[illegible]

* Selling rate.

STERLING INDEX

	Sept 18	Previous
8.30 am	70.2	70.5
9.00 am	70.1	70.5
10.00 am	70.1	70.5
11.00 am	70.0	70.5
Noon	69.9	70.5
1.00 pm	69.9	70.5
2.00 pm	69.7	70.4
3.00 pm	69.2	70.4
4.00 pm	69.4	70.3

EMS EUROPEAN CURRENCY UNIT RATES

[illegible]

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

FINANCIAL FUTURES

Gilts fall sharply

LONG TERM gilt futures suffered from heavy liquidation on the London International Financial Futures Exchange yesterday. Traders were nervous at the fall of the pound's exchange rate index to a record low and the continued decline against the D-Mark. Dealers were concerned about a possible currency crisis, and commented that it was hard to see how the market was going to dig itself out of the mire.

December long term gilts opened quite steady at 114-05, and rose to a high of 114-15, as dealers suspected a squeeze on bear positions by jobbers. But then the weakness of the pound led to a sharp fall in the cash and futures market, taking the contract down to a low of 111-18, before it closed at 111-14, compared with 114-10 on Wednesday.

Traders remained extremely nervous after the market closed.

Three-month sterling deposits were similarly depressed by the weakness of the pound. The December contract closed at the day's low of 89.40, against 89.79 previously.

Dollar denominated contracts were choppy. The revised second quarter US gross national product growth figure was unchanged at 0.6 per cent.

LIFFE LONG GILT FUTURES OPTIONS

[illegible]

LIFFE US TREASURY BOND FUTURES OPTIONS

[illegible]

LIFFE £/$ OPTIONS

[illegible]

LONDON SE £/$ OPTIONS

[illegible]

PHILADELPHIA SE £/$ OPTIONS

[illegible]

LIFFE—EURODOLLAR OPTIONS

[illegible]

LONDON

20-YEAR 12% NOTIONAL GILT

[illegible]

10% NOTIONAL SHORT GILT

[illegible]

THREE-MONTH STERLING

[illegible]

FT-SE 100 INDEX

[illegible]

THREE-MONTH EURODOLLAR

[illegible]

US TREASURY BONDS

[illegible]

THREE-MONTH EURODOLLAR (IMM)

[illegible]

US TREASURY BILLS (IMM)

[illegible]

CHICAGO

CERT. DEPOSIT (IMM)

[illegible]

US TREASURY BONDS (CBT)

[illegible]

CURRENCY FUTURES

POUND — $ (FOREIGN EXCHANGE)

[illegible]

IMM — STERLING Se per £

[illegible]

LIFFE — STERLING £25,000 $ per £

	Close	High	Low	Prev
Dec	1.4590	1.4658	1.4541	1.4600
March	1.4402	—	—	1.4463
June	1.4267	—	—	1.4326

Estimated volume 213 (501)
Previous day's open int 1,018 (769)

MONEY MARKETS

London rates rise as pound falls

INTEREST RATES rose on the London money market yesterday as dealers became increasingly nervous about the weakness of sterling. There was no sign of heavy selling of paper, but market sources suggested that a large credit shortage today could be regarded as an opportunity to part with bills on a large scale. It was noted that one-month money was firmer yesterday, an indication of nervousness in the market, and that three-month interbank closed at 10¼-10⅛ per cent, compared with 9⅞-10 per cent.

The Bank of England initially forecast a money market shortage of £300m. This was revised to £550m at noon, and back to £500m in the afternoon. Total help given to the market was £427m.

Before lunch the authorities bought £378m bills outright, by way of £28m bank bills in band 3 at 9⅞ per cent; £21m Treasury bills in band 4 at 9⅞ per cent; £35m local authority bills in band 4 at 9⅞ per cent and £295m bank bills in band 4 at 9⅞ per cent.

In the afternoon the Bank of England purchased £49m bank bills in band 4 at 9⅞ per cent.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £600m, with a rise in the note circulation absorbing £40m. These factors outweighed Exchequer transactions adding £88m to liquidity and bank balances above target by £40m.

In Stockholm the Swedish National Bank announced a cut in its discount rate by ½ per cent to 7½ per cent from today. Mr Bengt Dennis, governor of the central bank, said the move was principally for domestic reasons rather than international influences. The cut in the discount rate to the lowest level since the summer of 1979 was said to reflect a healthy economy. In the first six months of the year the balance of payments showed a surplus of SKr 6.5bn.

In Helsinki the Bank of Finland lowered its call money rate to 11 per cent from 12½ per cent for loans and to 12 per cent from 12½ per cent for deposits.

In Paris Mr Edouard Balladur, French Finance Minister, said France has no intention of cutting interest rates unilaterally. He commented "our real interest rates are now at the same level as those of our competitors and powerful neighbours."

UK clearing bank base lending rate 10 per cent since May 22

NEW YORK RATES

(Lunchtime)

[illegible]

MONEY RATES

[illegible]

FT LONDON INTERBANK FIXING

(11.00 a.m. September 18)

Three months US dollars		Six months US dollars	
bid 6 11/16	Offer 6 1/16	bid 6 11/16	Offer 6 1/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

LONDON MONEY RATES

September 18	Over night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	8-11	9⅞-9⅝	9¾-10	9⅞-10¼	10⅛-10⅛	10¼-10⅛
Sterling CDs	—	—	9⅞-9⅞	9⅞-10⅛	10-10⅛	10¼-10¼
Local Authority Depos	8-9	9¼-9⅛	9¾-9⅞	9⅞-10⅛	10⅛-10¼	10¼-10⅛
Local Authority Bonds	—	—	10¼	10⅛	10¼	10¼
Discount Mkt. Depos	7½-10	9⅛	9⅞	9⅞	—	—
Company Depos	9-9¼	9⅛	9⅞-10	10	10⅛	10⅛
Finance House Depos	—	—	9⅞	10	10¼	10⅛
Treasury Bills (Buy)	—	—	9⅞	9⅞	—	—
Bank Bills (Buy)	—	—	9⅞-9⅞	9⅞-9⅞	9⅞-9⅞	—
Fine Trade Bills (Buy)	—	—	10⅛	10⅛	10⅛	—
Dollar CDs	—	—	5.95-6.00	5.85-5.90	5.85-5.90	6.05-6.10
SDR Linked Depos	—	—	6-6¼	6⅛-6⅜	6⅛-6⅜	6-6¼
ECU Depos	—	—	7⅛-7¼	7⅛-7¼	7⅛-7¼	7⅛-7¼

Treasury Bills (sell): one month 9⅞ per cent; three months 9⅞ per cent. Bank Bills (sell): one month 9⅞ per cent; three months 9⅞ per cent. Treasury Bills: Average tender rate of discount 9.6257 per cent. ECGD Fixed Finance Scheme IV reference date August 6 to September 2 (inclusive): 9.890 per cent. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10 per cent from September 1, 1986. Bank Deposit Rates for sums at seven days' notice 4.35-4.375 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 9½ per cent; one-three months 9¼ per cent; three-six months 9¾ per cent; six-nine months 10 per cent; nine-12 months 10 per cent. Under £100,000 9¾ per cent from August 21. Deposits held under Series 5 9½ per cent. Deposits withdrawn for cash 6½ per cent.

The table below gives the rates of exchange for the U.S. dollar against various currencies as of Wednesday, September 17, 1986. The exchange rates listed are middle rates between buying and selling rates as quoted between banks, unless otherwise indicated. All currencies are quoted in foreign currency units per one U.S. dollar except in certain specified areas. All rates quoted are indicative. They are not based on, and are not intended to be used as a basis for, particular transactions.

Bank of America NT & SA does not undertake to trade in all listed foreign currencies, and neither Bank of America NT & SA nor the Financial Times assume responsibility for errors.

Bank of America, Economics Dept., London
Eurodollar Libor as of September 17, at 11.00 a.m.
3 months: 6 3/16 6 months: 6⅛

ECU=$US1.0285 SDR1=$US1.2098
Sibor as of September 17, at 11.00 a.m.
3 months: 6⅛ 6 months: 6⅛

COUNTRY	CURRENCY	VALUE OF DOLLAR	COUNTRY	CURRENCY	VALUE OF DOLLAR	COUNTRY	CURRENCY	VALUE OF DOLLAR
Afghanistan	Afghani (o)	50.60	Greece	Drachma	135.65	Papua New Guinea	Kina	0.9794
Albania	Lek	6.8475	Greenland	Danish Krone	7.72	Paraguay	Guarani (o.c.)	240.00
Algeria	Dinar	4.63	Grenada	E. Caribbean $	2.70		Guarani (d)	997.50
Andorra	French Franc	6.673	Guadaloupe	Franc	6.673	Peru	Intl. (o)	13.95
	Spanish Peseta	134.55	Guam	U.S. $	1.00	Philippines	Peso	20.52
Angola	Kwanza	29.918	Guatemala	Quetzal (o)	1.00	Pitcairn Islands	N.Z. Dollar	2.1022
[illegible]	[illegible]	[illegible]		Quetzal (b. f)	2.925	Poland	Zloty (o) (6)	200.00
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

1986 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
102	100	Exch. 14pc 1986	100	−	13.[illegible]	10.40
99	94	Exch. 2½pc 1986	99	.....	[illegible]	7.39
102	100	Exch. 13¼pc 1987	100	−	[illegible]	10.24
100	97	Treas 10¼pcCv '87	99	−	[illegible]	10.28
97	92	Exch 2½pc 1987	97	−	[illegible]	7.82
101	97½	Exch. 10½pc 1987	100	−	[illegible]	10.37
95	93	Funding 6½pc '85-87‡‡	98	−	[illegible]	9.40
101	96	Treas. 10pc 1987	99	−	[illegible]	10.14
97	90	Treas 3pc 1987	96	.....	[illegible]	7.80
104	99	Treas. 12pc 1987	101	−	[illegible]	10.16
99	92	Treas 7¾pc 1985-88‡‡	97	−	[illegible]	9.90
104	96	Exch 10½pc '88	99	−	[illegible]	10.44
102	95	Treas 9½pc Cv '88	98	−	9.[illegible]	10.40
94	86	Transport 3pc '78-88	91	−	3.31	8.00
102	93	Treas. 9½pc '88	98	−	9.79	10.60
107	98	Treas 11½pc 1989	101	−	11.29	10.53
103	93	Treas 9½pc Cnv. '89	97	−	9.72	10.32
92	82	Treas 3pc 1989	88	−	3.45	7.80
105	95	Treas 10½pc 1989	99	−	10.58	10.62
104	94	Exch 10pc 1989	98	−	10.14	10.60
107	97	Exch 11pc 1989	101	−	10.80	10.52
93	84	Treas 5pc 1986-89	89	−	5.61	8.98
110	96	Exch 10¼pcCv '89	100	−1	10.18	9.79
114	103	Treas 13pc 1990‡‡	106	−1	12.20	10.50
108	97	Exch 11pc 1990‡‡	100	−1	10.[illegible]	10.56
113	101	Exch. 12½pc 1990	105	−1	[illegible]	10.49
89	79	Treas. 3pc 1990	84	−	[illegible]	7.97
100	89	Treas 8¼pc 1987-90‡‡	95	−	[illegible]	9.80
106	93	Treas. 10pcCv 1990	98	−1	[illegible]	10.60
86	76	Exch 2½pc 1990	81	−	[illegible]	7.76
112	99	Treas 11¾pc 1991	103	−1	[illegible]	10.47
94	83	Funding 5¾pc '87-91‡‡	89	−	[illegible]	8.69
86	81	Treas. 3pc 1991●	81	−	[illegible]	7.84
[illegible]		[illegible]				

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Cont.

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Cont.

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY & STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

INDUSTRIALS—Continued

1986 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
190	82	Midland Marts	175	—	4.0	1.0	3.3	47.5
78½	46	Mitchell Cotts	46	–1	4.25	1.5	13.0	(6.5)
124	81	Monk & Crane 10p	118	—	12.7	2.9	3.2	14.4
327	210	Morgan Crucible	250	–2	8.5	1.7	4.8	15.7
23½	15½	Morris (W) F.A. 20p	22½	+1	—	—	—	—
152	65	Mycon Grp 10p	152	+2	2.63	2.6	2.5	19.4
365	259	NMW Computers	290	—	6.0	3.0	2.9	16.7
40	27	Nash Inds.	40	—	0.5	—	1.0	—
27½	15	Neill & Spencer 10p	19	—	—	—	—	—
39	28	Newman Inds 10p	35	+1	0.8	1.5	3.2	26.8
134	65	Noble & Lund 10p	122	—	0.7	4.3	0.8	40.2
65	39	Norbain	40	+1	0.95	7.0	3.4	5.7
150	96	Norank Systems 5p	140	—	1.5	—	1.5	17.9
286	187	Nortros	239	—	9.3	2.2	5.5	11.4
180	49	Nu-Swift 5p	160	—	3.5	2.1	3.1	21.5
£355	£228	OCE 9pc Cnv 1987-92	£350	—	9%	—	2.6	—
118	80	Oakwood Grp	85	—	5.0	1.3	‡	11.8
258	205	Office & Elect	220	—	8.5	2.9	5.4	9.0
183	70	Osborne 20p	175	—	5.0	♦	4.1	♦
36	22	Optometrics $0.01	22	—	—	—	—	—
890	500	Oriflame £1	870	+5	24.5	2.1	4.0	16.7
10	3	Overstone 12½c	6	—	3.25c	1.9	18.1	2.9
142	85	PCT Grp 10p	115	—	8.2	—	5.7	—
£204½	£134½	PLM 'B' Sk 25	527½	+5	21.2%	0.3	3.3	—
195	114	PSM Intl.	190	—	5.5	2.1	4.1	14.3
255	167	Pacer Systems $0.01	170	—	3.84	3.4	1.6	18.9
78	56	Pacific Sales 10p	58	+2	3.0	♦	7.3	♦
445	245	Parker Knoll 'A'	410	—	19.5	2.9	3.2	15.2
555	208	Parkfield Group 5p	475	—	3.6	4.2	1.5	30.2
58	17	Pavion Intl.	18	—	—	—	—	4.8
£130	£70	Do 11pc Cnv '94-02	£72	–3	11%	—	15.4	—
608	395	Pearson	510	+5	10.0	2.8	2.8	16.6
26	12	Peak Holdings 5p	26	+4	—	—	—	—
145	86	Peerless	132	—	6.3	1.5	6.7	11.8
519	141½	Pentland 10p	495	+5	0.75	22.4	0.2	25.2
£14	775	Photo-Me	£12½	—	5.06	8.3	0.6	—
475	315	Pilkington Br. £1	447	+2	13.5	2.7	4.5	(9.7)
£423	£278	Pitney-Bowes Cnv. Ln.	£400	—	9½%	—	2.4	—
96	52	Plastic Const. 10p	74	+1	2.8	2.5	5.3	10.4
9½	7	Platignum 5p	7	—	—	—	—	11.0
173	115	Pleston Int.	135	—	3.0	♦	3.2	♦

LEISURE—Continued

1986 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
390	253	LWT	380	—	14.4	1.0	3.3	[illegible]
187	137	Lee International 10p	165	—	13.8	♦	3.3	[illegible]
46	32	Leisure Inv 10p	46	—	—	—	—	[illegible]
115	58	Leisuretime Int 10p	91	+2	2.3	♦	3.6	[illegible]
127	100	Lowndr	105	—	2.65	3.3	3.5	[illegible]
220	125	Media Tech Int 20p	126	+1	2.8	♦	3.1	[illegible]
170	130	Medminster 10p	130	—	5.35	2.7	3.8	[illegible]
220	130	Miss World 10p	200	—	5.2	3.3	3.7	[illegible]
90	62	Nationwide Leisure	74	—	3.75	2.5	7.1	[illegible]
17	10	Norsk Int 20c	10	—	—	—	—	[illegible]
35½	29	Owners Abroad 5p	35½	—	1.5	2.3	6.3	[illegible]
90	46	Photax (Lon.)	67	—	—	—	—	[illegible]
34	28	P'dilly Radio NV 5p	28	—	2.0	1.2	10.1	[illegible]
73	25½	Pleasurama 10p	40	—	—	—	—	[illegible]
391	280	Pleasurama 5p	323	+8	7.5	3.6	3.3	[illegible]
178	136	Do. 7pcCnCmRedPf	140	—	7%	—	6.7	[illegible]
157	100	Prestwich	102	–1	0.35	7.8	0.5	[illegible]
43	18	Radio City 'A' NV	32	—	—	—	—	[illegible]
51	33	Radio Clyde NV	48	—	3.25	0.9	9.5	[illegible]
393	322	Really Useful Grp 5p	372	—	11.25	2.2	4.3	[illegible]
64	42	Riley Leisure 10p	42	—	—	—	—	[illegible]
230	130	Saga Hols. 20p	154	–1	4.6	2.6	4.0	[illegible]
355	155	Samuelson Grp 20p	170	–5	2.4	6.5	2.0	[illegible]
125	75	Sangers Photo 10p	88	+2	2.2	1.5	3.5	[illegible]
178	125	Scaffore 50p	125	–3	4.0	1.5	4.5	[illegible]
340	175	Scott. TV 10p	328	—	10.5	3.0	4.5	[illegible]
294	114	SeaCo Inc $0.125	178	—	—	—	—	[illegible]
27	7	SelecTV 10p	16	—	—	—	—	[illegible]
37	10	Spectrum 5p	29	—	1.20	4.0	‡	[illegible]
131	119	Stanley Leisure	130	—	3.25	2.8	3.5	[illegible]
46	31	TSW 5p	46	—	1.7	2.4	5.2	[illegible]
279	144	TVS N/Vtg 10p	237	–3	10.0	2.5	3.9	[illegible]
108	97	Television Svcs 50p	105	—	2.0	2.9	2.7	[illegible]
244	219	Thames TV	242	+1	9.5	1.9	5.5	[illegible]
74	30	Tottenham Hotspur	74	—	4.0	—	‡	[illegible]
96	62	Trillion 10p	62	–1	1.1	3.3	2.5	[illegible]
280	140	Tyne Tees TV 'A' £1	235	—	10.5	2.0	6.3	[illegible]
196	104	Ulster TV N/V 'A'	136	—	5.25	2.6	5.4	[illegible]
100	40	Virgin 5p	40	—	1.6	♦	4.5	[illegible]
204	118	WSL 5p	198	–1	—	—	—	[illegible]
31	17½	Walls (Jas.) 5p	38	—	0.57	1.3	2.4	[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

INSURANCES

LEISURE

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

FINANCE, LAND—Cont.

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

MINES—Continued

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

NOTES

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

"Recent Issues" and "Rights" Page 43
(International Edition Page 39)

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £675 per annum for each security.

LONDON STOCK EXCHANGE

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Sept 1	Sept 11	Sept 12	Sept 22
Sept 15	Sept 25	Sept 26	Oct 6
Sept 29	Oct 9	Oct 10	Oct 20

* "New-time" dealings may take place from 9.30 am two business days earlier.

Sterling weakness arouses anxiety and Gilts tumble two points

Government stocks were smitten by the pound's ailing performance in forex markets and recorded widespread losses yesterday. Morale, which has been constantly undermined since the start of the month, suffered a further blow as the exchange rate index went below 70. It later dropped suddenly to the lowest ever of 69.2 before closing at 69.4, reflecting a fresh burst of strength in the D-mark.

This latest adversity was too much for the Gilt-edged market which immediately began to ponder on possible stronger official action. Foremost were fears of an increase, perhaps of one percentage point or more, in bank base rates. The UK authorities would, of course, be reluctant to take such a step but could be forced to if sterling remains under pressure.

Nervous selling brought a tense late atmosphere and Gilt prices abandoned attempts to recover from earlier dullness. Most traders, having recently cut their book commitments, tried to avoid taking stock on so the sales had an accumulative effect. Longer Gilts dropped over two points before steadying and the shorts also sustained heavy losses running to over a point. Index-linked were unable to escape and closed with falls of ¾.

Equities were unaffected and international issues forged progressively higher, benefiting from the weaker pound. Shortly before 3 pm the FT-SE 100 share index was 14.5 up but interest rate speculation then took hold and the movement was reversed. Wall Street's firmer trend in the early business failed to sustain the market and the index retreated to close only 3.8 higher on balance at 1,614.2. The FT Ordinary share settled 4.4 better at 1,279.6.

Major talking points were confirmation after weeks of speculation of the Hanson Trust sale of its Courage and associated businesses to Elders IXL for £1.4bn, a deal which put a renewed Elders' offer for Allied-Lyons out of court. Goldman Sachs' purchase of the bulk of the Philip Hill Investment Trust portfolio from Robert Maxwell's BPCC for £330m also aroused interest, but neither deal affected market sentiment.

Equity turnover was on a reduced scale owing to TSB considerations, but selected institutions appeared to have surplus funds and private client interest was good. The IMF optimism on world economic growth and the latest UK unit wage/labour data were both helpful pointers for equities.

NatWest below best

Apart from NatWest, which added 6 at 540p, after 542p on further consideration of the bank's application for a stock-listing on the New York Stock Exchange and plans to support it with an issue of 24.2m new shares to raise £121m from US investors, the major clearers drifted lower for want of support. Barclays softened a few pence at 482p as did Midland at 572p. Lloyds were also 3 off at 442p, the bank yesterday revealed a new "sharedeal" service operative from October 27 whereby customers will have means of buying and selling shares at a fixed rate of 1.5 per cent for equities and 0.5 per cent for gilts, at any of the bank's 2,300 branches.

Sun Alliance, 8 down at 700p, led Composites lower with GRE closing 5 easier at 810p and Royals a few pence off at 839p. Elsewhere, Legal and General fell 7 more to 249p on further consideration of the interim results. Prudential closed a few pence cheaper at 842p, after 849p, following news of the group's acquisition of Jackson National Life Insurance of the US in a £405m deal.

Eve Construction staged a satisfactory debut in the Unlisted Securities Market: the shares, placed at 105p, opened at 106p and moved ahead to 112p prior to closing at 110p.

Having been a firm market of late on hopes of a bid from Elders IXL, Allied Lyons dropped sharply to touch 305p at one stage before closing 17 down on balance at 318 following Elders' decision to acquire the Courage and John Smith breweries from Hanson Trust for £1.4bn; Hanson ended a penny off at 192p. Elsewhere in the drinks sector, Guinness improved 5 afresh to 333p, while Belhaven edged forward a penny more to a new peak of 77p on further consideration of Bestwood's recently acquired stake.

Revived interest rate worries took the shine off a fairly resilient performance by the Building sector leaders. Blue Circle, up to 560p at one stage reflecting traded option activity, eased back to close 8 higher on balance at 556p. Barratt Developments, results due shortly, were finally a couple of pence dearer at 144p after initial progress to 148p. Adverse Press comment depressed George Wimpey, 5 lower at 200p, while late offerings left Costain 2 cheaper on balance at 518p, after 522p. US contract news failed to sustain Taylor Woodrow which slipped 2 to 305p. John Laing drifted off to close 3 cheaper at 399p. Elsewhere, Magnet and Southerns provided a bright feature at 192p, up 6, reflecting the chairman's confident statement at the annual meeting. Trent Holdings gained 10 to 94p on revived bid hopes, while Galliford put on 5 to 90p ahead of the annual results due early next month.

ICI touched £11 on currency influences before easing back to close ⅛ higher on balance at £10⅞. Laporte shaded to 365p following interim profits much in line with market estimates, but Wolstenholme Rink responded positively to the good half-year figures and closed 15 higher at 235p. Seabrook firmed 4 to 92p on news that Yule Catto had acquired a 7.3 per cent stake in the company.

Fears that the current plight of sterling could put upward pressures on interest rates depressed leading retailers which closed at their lowest levels of the day. Woolworth, which revealed record interim profits of £23m on Wednesday, ended 25 lower at 650p, while Storehouse cheapened 10 at 325p. Marks and Spencer closed a few pence off at 203p. Secondary issues provided some bright features, however, with Time Products notable for a speculative gain of 6 at 80½p. W. H. Smith "A" put on 4 to 278p after Press comment and Alexon rose 4 afresh at 196p. Church, at 430p, met with profit-taking and lost 10 of the previous day's rise of 85 which greeted news of Ward White's acquisition of a 5.2 per cent stake in the company.

Garner Booth highlighted shoe and leather concerns, jumping 12 to 196p, after 204p, on details of the bid from Strong and Fisher, 2 dearer at 148p. Pittard, still reflecting the bumper first-half figures, added 4 at 116.

Leading Electricals traded on a quietly firm note, gains of a couple of pence being recorded in GEC, 174p, and Plessey, 176p. Continental Microwave, reflecting the good preliminary figures, moved up 15 to 270p. News of the contract from Metro Cammell prompted a gain of 3 to 180p in Stone International, while United Scientific responded to further talk of a possible bid from Pilkington Bros with a fresh gain of 10 at 180p. Memec staged a further rally of 8 at 216p, while DJ Security Alarms rose 7 to 105p with the aid of traditional option demand. Ferranti edged up 4 to 100p and Electronic Rentals improved 5 to 57p.

GKN benefited from continued weakness in the pound against the D-Mark and closed 7 firmer at 274p. Among secondary Engineering issues, Banro Industries, at 177p, regained 5 of the previous day's fall which followed the interim figures and the proposed £3.3m rights issue. Richardsons Westgarth, partly reflecting further traditional option demand, improved 2½ to 43½p. Bromsgrove rallied 4 to 77p, while Mellins were noteworthy for a gain of 7 at 177p.

Foods made an irregular showing. Recently dull Rowntree Mackintosh revived with a gain of 12 at 390p, but United Biscuits shed 7 to 232p following comment on the interim results. Unigate found support and touched 290p prior to closing a net 5 up at 288p, while Fitch Lovell improved 4 to 252p. Cadbury Schweppes hardened a couple of pence to 176p and Hillsdown edged up 5 to 305p. Retailers turned easier after hours on dearer money fears. ASDA-MFI were finally 2 better at 156p, after 158p. Tesco reverted to the overnight 410p, after touching 412p, while Bejam, having risen to 161p in the wake of a broker's recommendation, subsequently eased back to close 5 higher on balance at 158p. William Morrison firmed 2 to 226, after 228p, following the better-than-expected interim results. Elsewhere, profit-taking in the wake of the annual results left Home Farm 5 lower at 105p.

Grand Metropolitan, a firm market late on Wednesday reflecting revived takeover hopes, moved up to 412p before easing back late in the day to close unchanged at 408p. Buyers again favoured Ladbroke which firmed 5 more to 358p.

Glaxo higher

Renewed weakness in sterling, particularly against the D-Mark, enlivened interest in selected international stocks, but prices failed to hold best levels. Glaxo advanced to 992p at one stage, but reacted to close only 10 higher on the day at 980p, while Reckitt and Colman touched 819p prior to settling a net 8 up at 812p. Beecham closed only a penny better at 401p, after 406p. Reflecting an early flurry of speculative activity, Boots improved to 225p before closing a shade up on the day at 222p. Elsewhere, Bridon, still on the poor half-year figures, closed 9 off at 141p, after 138p, while DPCE gave up 10 to 240p following the preliminary results. Benlox, in which Chesseminster has recently built up a share stake, met with late demand and put on 5 to 48p. Bid speculation continued in Westwood Dawes, up 9 more at 74p, for a two-day rise of 19p. Wm Baird advanced to 380p in reply to the interim figures before late offerings brought the price back to 370p, up only 2 on the day. Speculative demand amid rumours of an imminent deal left DSC Holdings 9 to the good at 60p, after 62p.

Among Leisure issues, Aspinall Holdings shed 7 to 155p owing to a lack of support, but Cityvision attracted speculative demand and gained 5 to 35p, after 36p.

Following a brokers visit to the company's Coventry plant to view the new XJ40 model due to be launched next month, US support continued for Jaguar which closed 9 higher at 522p, after 525p.

Mr Robert Maxwell's BPCC jumped 15 to 275p following Press reports that Goldman Sachs, the US investment bank, had bought the bulk of the £330m Philip Hill Investment Trust portfolio. Elsewhere, More O'Ferrall reflected the bumper interim figures with a gain of 13 at 143p. Dealings in Ault and Wiborg were suspended at 51p prior to the announcement of the possible sale of its paints business to Berger, Jenson and Nicholson, a subsidiary of Hoechst.

Leading Properties retained a firm appearance. Land Securities hardened a penny more to 313p and MEPC closed 3 dearer at 318p, after 320p. Elsewhere, Imry rose 10 afresh to 380p pending the outcome of bid discussions and Hampton Trust added 2½ to 41p following a newsletter recommendation. Edmond Holdings, interim figures due next Wednesday, firmed a penny to 24p, while Tops Estates advanced 5 to 290p.

Courtaulds firmed 5 to 284p in Textiles where John Beales advanced 9 to 182p following renewed speculative demand.

Stockjobbing concern Smith NewCourt returned to prominence among Financials rising 6 to 167p on revived takeover hopes. Authority Investment jumped 35 to 380p after speculative support in a thin market, but Antofagasta relinquished 5 to 152p following the interim statement.

Oils advance

A much firmer performance by crude oil prices following reassuring comments by Sheikh Yamani on Saudi Arabia's oil output in September, underpinned the oil sector which made good progress for much of the day before closing a shade below the day's best levels. BP settled a net 6 higher at 658p, after 663p, and Shell moved up 8 more to 893p. Enterprise Oil held steady at 126p ahead of today's interim results; forecasts of net income for the half-year range from around £9m to £15m, compared with the £36m earned in the same period last year.

IC Gas continued to attract strong speculative interest, boosted by Press reports of a possible US bid; the shares touched a 1986 high of 493p but ran back to close 5 higher on balance at 485p.

Interest in mining was largely focused on Rio Tinto Zinc; the shares fell back to 587p immediately following the lower-than-expected interim figures but subsequently rallied strongly to close a net 27 higher at 614p reflecting a bear squeeze and strong buying interest encouraged by hope of a substantial improvement in the second half. Consolidated Gold Fields, a quiet market following Tuesday's preliminary results, moved up 5 to 535p helped by the upturn in metal prices. East Rand Consolidated attracted persistent speculative buying ahead of the name change and put on 4 to 52p.

The strong performance by the bullion price during the afternoon, when rumours of trouble at Bank America resurfaced, failed to encourage any substantial business in Gold shares which generally moved narrowly in either direction. Bullion appreciated throughout the session and touched $422 at one point before closing a net $6.125 up at $419.75 an ounce. Platinum fell away and was quoted at $577 in the afternoon — a two-day decline of around $20 an ounce. In the Platinums sector Impala and Rustenburg dropped 20 apiece to 730p and 780p respectively.

Leading gold shares were usually easier on the day, reflecting a minor fall in the Financial Rand. Vaal Reefs, a strong market in recent days following a "buy" recommendation emanating from Johannesburg, slipped ¾ to £55¼, and Buffels lost ½ to £15¼. Randfontein held up well to close a shade firmer at £63¾. Kinross, where sentiment has been severely dented by the major tragedy at the mine, lost 31 more to 859p.

The South African Financials sector was again highlighted by "Amcoal" which added 25 more to 600p — a jump of 100p over the past three sessions — still reflecting the EEC's refusal to a ban of imports on South African coal.

Australian mines were under pressure in overnight domestic markets and gave ground for much of the day in London. The late improvement in gold, however, prompted a flurry of buying interest which left Gold Mines of Kalgoorlie 22 up at 580p and Central Norseman 5 harder at 583p.

Elsewhere, Greenwich Resources, where the Prudential group of companies recently increased its stake to 7.04 per cent, picked up 4 to 114p.

Hansen Trust attracted 157 calls and 1,127 puts following its Courage brewery deal with Elders IXL. Elsewhere in Traded Options, the FT-SE 100 accounted for 1,404 calls and 929 puts, while the overall total number of deals done amounted to 21,281.

FINANCIAL TIMES STOCK INDICES

	Sept 18	Sept 17	Sept 16	Sept 15	Sept 12	Year ago	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Government Secs	84.12	85.45	85.88	86.74	86.74	83.19	94.51 (18/4)	80.39 (20/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	91.88	92.12	92.76	93.05	93.16	88.56	97.68 (7/7)	86.55 (23/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1,279.6	1,275.2	1,282.2	1,289.6	1,270.9	1,007.8	1,425.9 (3/4)	1,094.3 (14/1)	1,425.9 (3/4/86)	49.4 (26/6/40)
Gold Mines	317.2	316.6	337.9	312.2	314.8	308.6	357.0 (27/1)	185.7 (18/7)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.35	4.35	4.40	4.31	4.37	4.72				
Earnings Yld.% (full)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	11.57				
P/E Ratio (net) (*)	12.30	12.34	12.09	12.34	12.18	10.70				
Total Bargains (Est.)	18,734	23,348	21,990	23,927	22,678	20,647				
Equity Turnover £m.	—	535.07	534.79	600.60	879.41	373.30				
Equity Bargains	—	17,169	19,263	22,861	30,502	16,265				
Shares Traded (ml).	—	228.6	222.4	253.3	351.1	178.2				

Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
—	1277.6	1277.6	1278.6	1282.9	1284.9	1285.6	1281.9

Day's High 1285.6. Day's Low 1277.6. † Correction

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974 *Nil=11.81.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

S.E. ACTIVITY

Indices	Sept. 17	Sept. 16
Gilt Edged Bargains	119.5	129.3
Equity Bargains	111.2	124.8
Equity Value	1081.5	1080.9
5-Day Average		
Gilt Edged Bargains	114.0	113.9
Equity Bargains	145.9	152.5
Equity Value	1291.1	1326.8

EUROPEAN OPTIONS EXCHANGE

Series	Nov. Vol.	Nov. Last	Feb. Vol.	Feb. Last	May. Vol.	May. Last	Stock
[illegible]							

TOTAL VOLUME IN CONTRACTS: 37,458

A=Ask B=Bid C=Call P=Put

TRADITIONAL OPTIONS

First Deal-ings	Last Deal-ings	Declara-tion	Settle-ment
Aug 18	Sept 5	Nov 20	Dec 1
Sept 8	Sept 19	Dec 4	Dec 15
Sept 22	Oct 3	Dec 18	Dec 29

For rate indications see end of Unit Trust Service

Money was given for the call of North Kalgurli, Bejam, Hampton Trust, East Rand Consolidated, S. R. Gent, William Boulton, BIEM, Debron, Amstrad, T. Marshall (Loxley), DJ Security Alarms, Harris Queensway, Telemetrix, AB Electronic, Arenson, Richardsons Westgarth, Pavion, Polly Peck and LASMO. Peek Holdings were dealt in for the put, while a double option was arranged in Wellcome.

YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change	Stock	Closing price	Day's change
BAT Industries	443	+ 6	Jaguar	522	+ 9
Boots	222	+ 1	London and Manchester	190	− 2
Courtaulds	284	+ 5	Marks and Spencer	203	− 1
Garner Booth	196	+12	RTZ	614	+27
Glaxo	980	+10	Sun Alliance	700	− 8
ICI	£10⅞	+ ⅛	Wellcome	197	− 2

WEDNESDAY'S ACTIVE STOCKS

Based on bargains recorded in SE Official List

Stock	No. of changes	Wed. close	Day's change	Stock	No. of changes	Wed. close	Day's change
Peek Holdings	17	22	+ 4	Cable & Wire	13	302	+13
Glaxo	15	970	+35	Jaguar	13	513	+ 7
BAT Industries	15	436	+ 5	Beecham	12	400	+ 7
Grand Met.	15	408	+11	BP	12	652	[illegible]
Wellcome	15	199	+11	Woolworth	12	675	+10
ICI	14	£10⅝	[illegible]	Brit. Aerospace	11	448	—

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	1	111	2
Corporations, Dominion and Foreign Bonds	8	8	59
Industrials	325	187	1,015
Financial and Properties	89	91	389
Oils	19	18	72
Plantations	1	2	11
Mines	80	57	88
Others	29	54	88
Totals	552	527	1,716

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

	Thursday September 18 1986 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 29%)	Est. P/E Ratio (Net)	xd adj. 1986 to date	Wed Sept 17 Index No.	Tues Sept 16 Index No.	Mon Sept 15 Index No.	Year ago (approx.) Index No.
1 CAPITAL GOODS (212)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	13.26	677.75	676.59	689.85	523.97
2 Building Materials (26)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	14.81	797.81	795.81	812.35	550.30
3 Contracting, Construction (31)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	23.47	1204.31	1208.98	1224.37	824.87
4 Electricals (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	38.58	1801.25	1809.79	1841.10	1461.21
5 Electronics (38)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	28.35	1454.28	1446.33	1469.98	1320.59
6 Mechanical Engineering (60)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.99	374.34	374.96	379.79	304.25
8 Metals and Metal Forming (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.17	348.48	350.19	349.63	293.61
9 Motors (16)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.37	273.40	271.67	277.58	173.81
10 Other Industrial Materials (22)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	19.82	1242.36	1243.57	1282.93	960.48
21 CONSUMER GROUP (183)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	15.75	938.47	923.02	939.74	680.31
22 Brewers and Distillers (22)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	14.81	928.59	917.23	934.61	785.92
25 Food Manufacturing (22)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	14.08	685.75	687.49	701.74	497.74
26 Food Retailing (15)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	29.57	1948.63	1948.89	1976.34	1431.15
27 Health and Household Products (10)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	12.84	1528.64	1498.89	1521.77	1070.75
29 Leisure (28)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	24.58	903.86	894.56	908.88	677.19
31 Packaging and Paper (15)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	49.49	2591.31	2606.94	2639.78	1893.78
32 Publishing & Printing (14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.94	462.16	465.56	470.83	366.09
34 Stores (38)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
35 Textiles (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
36 Tobaccos (2)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
40 OTHER GROUPS (98)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
41 Chemicals (20)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
42 Office Equipment (4)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
43 Shipping and Transport (13)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
44 Telephone Networks (2)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
45 Miscellaneous (49)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49 INDUSTRIAL GROUP (483)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
51 Oil & Gas (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
59 500 SHARE INDEX (500)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
61 FINANCIAL GROUP (117)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62 Banks (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
65 Insurance (Life) (9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
66 Insurance (Composite) (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
67 Insurance (Brokers) (9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68 Merchant Banks (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69 Property (49)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70 Other Financial (24)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71 Investment Trusts (101)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
81 Mining Finance (2)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
91 Overseas Traders (14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
99 ALL-SHARE INDEX (734)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Index No.	Day's Change	Day's High	Day's Low	Sept 17	Sept 16	Sept 15	Sept 12	Sept 11	Year ago
FT-SE 100 SHARE INDEX ♦	1614.2	+3.8	1624.9	1611.8	1610.4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST

PRICE INDICES	Thurs Sept 18	Day's change %	Wed Sept 17	xd adj. today	xd adj. 1986 to date
British Government					
1 5 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2 5-15 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3 Over 15 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4 Irredeemables	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5 All stocks	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Index-Linked					
6 5 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7 Over 5 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8 All stocks	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9 Debentures & Loans	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10 Preference	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AVERAGE GROSS REDEMPTION YIELDS	Thurs Sept 18	Wed Sept 17	Year ago (approx.)
British Government			
1 Low Coupons 5 years	[illegible]	[illegible]	[illegible]
2 Low Coupons 15 years	[illegible]	[illegible]	[illegible]
3 Low Coupons 25 years	[illegible]	[illegible]	[illegible]
4 Medium Coupons 5 years	[illegible]	[illegible]	[illegible]
5 Medium Coupons 15 years	[illegible]	[illegible]	[illegible]
6 Medium Coupons 25 years	[illegible]	[illegible]	[illegible]
7 High Coupons 5 years	[illegible]	[illegible]	[illegible]
8 High Coupons 15 years	[illegible]	[illegible]	[illegible]
9 High Coupons 25 years	[illegible]	[illegible]	[illegible]
10 Irredeemables	[illegible]	[illegible]	[illegible]
Index-Linked			
11 Inflat'n rate 5% 5 yrs	[illegible]	[illegible]	[illegible]
12 Inflat'n rate 5% Over 5 yrs	[illegible]	[illegible]	[illegible]
13 Inflat'n rate 10% 5 yrs	[illegible]	[illegible]	[illegible]
14 Inflat'n rate 10% Over 5 yrs	[illegible]	[illegible]	[illegible]
15 Debs & Loans 5 years	[illegible]	[illegible]	[illegible]
16 Debs & Loans 15 years	[illegible]	[illegible]	[illegible]
17 Debs & Loans 25 years	[illegible]	[illegible]	[illegible]
18 Preference	[illegible]	[illegible]	[illegible]

♦ Opening index 1611.8; 10 am 1613.7; 11 am 1613.3; Noon 1612.9; 1 pm 1619.5; 2 pm 1622.4; 3 pm 1625.9; 3.30 pm 1621.5; 4 pm 1618.5

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 28p.

NEW HIGHS AND LOWS FOR 1986

NEW HIGHS (34)

CANADIANS (3) Golden Sceptre Resources, Goliath Gold Mines, Inland Natural Gas; BREWERS (1) Belhaven Brewery; STORES (2) Alexon, Time Products; ELECTRICALS (1) NEC Corp; ENGINEERING (1) Wood (S. W.); FOODS (2) Barker and Dobson, England (J. E.); INDUSTRIALS (9) Arenson, Burns Anderson, CCA Galleries, DSC, Dinkie Heel, Johnson [illegible]; MINES (3) Walkom Gold, Metana Minerals, Minoll Secs.

NEW LOWS (27)

BRITISH FUNDS (8) Exch. 14 pc 1986, Treas. 3pc 1991, Conv. 10pc 1996, Conv. 9pc 2000, Conv. 9½pc 2006, Treas. 8½pc 2007, Treas. 6pc 2009, Treas. 2½pc I.L. 2016; AMERICANS (3) BankAmerica, BASIX, Lowe's; FOODS (1) Glo-Isolates; HOTELS (1) Ryan Hotels; [illegible]

BASE LENDING RATES

	%		%
ABN Bank	10	Equatorial Tst Corp. plc	10
Allied Arab Bank Ltd	10	Exeter Trust Ltd	10½
Allied Dunbar & Co	10	Financial & Gen. Sec	10
Allied Irish Bank	10	First Nat. Fin. Corp	11
American Express Bk	10	First Nat. Sec. Ltd	11
Amro Bank	10	• Robert Fleming & Co	10
Henry Ansbacher	10	Robert Fraser & Ptrs	11
ANZ Banking Group	10	Grindlays Bank	‡10
Associates Cap Corp	10	• Guinness Mahon	10
Banco de Bilbao	10	• Hambros Bank	10
Bank Hapoalim	10	Heritable & Gen. Trust	10
Bank Leumi (UK)	10	• Hill Samuel	§10
Bank Credit & Comm	10	C. Hoare & Co	†10
Bank of Cyprus	10	Hongkong & Shanghai	10
Bank of Ireland	10	Knowsley & Co. Ltd	10½
Bank of India	10	Lloyds Bank	10
Bank of Scotland	10	Mase Westpac Ltd	10
Banque Belge Ltd	10	Meghraj & Sons Ltd	10
Barclays Bank	10	Midland Bank	10
Benchmark Trust Ltd	11	• Morgan Grenfell	10
Beneficial Trust Ltd	11	Mount Credit Corp. Ltd	10
Berliner Bank AG	10	National Bk. of Kuwait	10
Brit. Bk. of Mid. East	10	National Girobank	10
• Brown Shipley	10	National Westminster	10
CL Bank Nederland	10	Northern Bank Ltd	10
Canada Permanent	10	Norwich Gen. Trust	10
Cayzer Ltd	10	PK Finans Intl (UK)	10½
Cedar Holdings	10	Provincial Trust Ltd	11
• Charterhouse Bank	10	R. Raphael & Sons	10
Citibank NA	10	Roxburghe Guarantee	10½
Citibank Savings	¶10.95	Royal Bank of Scotland	10
City Merchants Bank	10	Royal Trust Co. Canada	10
Clydesdale Bank	10	Standard Chartered	10
Comm. Bk. N. East	10	Trustee Savings Bank	10
Consolidated Credits	10	UDT Mortgage Express	¶10.9
Continental Trust Ltd	10	United Bank of Kuwait	10
Co-operative Bank	*10	United Mizrahi Bank	10
The Cyprus Popular Bk	10	Westpac Banking Corp	10
Duncan Lawrie	10	Whiteaway Laidlaw	10½
E.T. Trust	10½	Yorkshire Bank	10

• Members of the Accepting Houses Committee. * 7-day deposits 5.69%, 1-month 6.03%. Top Tier—£2,500+ at 3 months notice 9.72%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 6¼% gross. ¶ Mortgage base rate. § Demand deposit 5.82%. Mortgage 11%.

LONDON TRADED OPTIONS

Option		CALLS Oct.	CALLS Jan.	CALLS Apr.	PUTS Oct.	PUTS Jan.	PUTS Apr.
[illegible]							

September 18. Total Contracts 21,281. Calls 15,782. Puts 5,499. *Underlying security price.

WORLD STOCK MARKETS

GERMANY

Sept. 18	Price Dm.	+ or —
AEG	303	—6
Allianz Vers	2,280	—46
BASF	289.6	—4.9
Bayer	293	—2
Bayer-Hypo	563	—11
Bayer-Verein	525	—13
BHF-Bank	505	—3
BMW	583	—15
Brown Boveri	307	+5
Commerzbank	335	—1.6
Cont'l Gummi	303.5	—12.3
Daimler-Benz	1,192	—33
Degussa	465	—7.5
D'sche Babcock	198.5	—1.5
Deutsche Bank	750	—9.6
Dresdner Bank	412	—6
Feld-Muehle Nbl	300	—5
Henkel	423	—7
Hochtief	1,170	......
Hoechst	257	—4
Hoesch Werke	145	—6.5
Holzmann (P)	650	—5
Horten	220	—3
Hussel	569	+7
Karstadt	423	—4
Kaufhof	497	+5
KHD	307.5	—4.6
Kloeckner	75.5	—1.2
Linde	760	—6
Lufthansa	180	—9
MAN	233	+3
Mannesmann	175	—3.5
Mercedes Hld	1,052	—53
Metallgesell	325	+7
Muench Rueck	2,490	—90
Nixdorf	671	—4
Porsche	1,042	—58
Preussag	203	—6
Rhein West Elect	200	—1
Rosenthal	577	—3
Schering	605	—8
Siemens	663.1	—14.4
Thyssen	151	—4
Varta	528	—2
Veba	289.5	—6.5
V.E.W.	161.2	+0.2
Verein-West	476	......
Volkswagen	496.5	—11.5

ITALY

Sept. 18	Price Lira	+ or —
Banco Com'le	23,950	......
Bastogi-IRBS	695	......
Centrale	3,595	......
C.I.R.	14,100	......
Credito Italiano	3,565	+20
Fiat	15,800	+780
Generali Assicur	156,080	+1,800
Italcementi	77,300	+700
La Rinascente	1,080	—75
Montedison	3,955	—5
Olivetti	17,400	—50
Pirelli Co.	7,615	+25
Pirelli Spa	5,250	+40
Saipem	4,830	+80
Snia BPD	5,335	+115
Toro Assic.	35,000	—600

NETHERLANDS

Sept. 18	Price Fls	+ or —
ACF Holding	320	—3.2
AEGON	97	—2.5
Ahold	91	—1.7
AKZO	151.8xr	—6.1
ABN	549	—2.6
AMEV	74	—0.8
AMRO	95.9	—1.1
Bredero Cert	135	—8.5
Bos Kalis Westm	13.4	—0.1
Buehrmann Tet	207	—3
Calland Hlgs	19.6	......
Dordtsche Pet'm	185	—2.8
Elsevier-NDU	916	+6
Fokker	66	—1
Gist Brocades	49.2	—0.9
Heineken	173	......
Hoogovens	64.8	—0.4
Huntr Doug NN	55.7	—0.7
Int. Mueller	77.5	—1
KLM	43.8	—0.9
KNP	165	—2
Naarden	90	......
Nat Ned Cert	80.5	—0.9
Ned Mid Bank	915	—0.5
Nedlloyd	175	—0.5
Oce Grinten	536	......
Ommeren (Van)	36.3	—0.7
Pakhoed	59.7	—1.3
Philips	50.3	—0.9
Robeco	91.1	—0.1
Rodamco	135.3	—0.1
Rolinco	81.5	—0.3
Rorento	49.6	......
Royal Dutch	199.4	—1.8
Unilever	476.5	—4
VMF Stork	29.5	+0.5
VNU	326	—2
Wessanen	72.2	+0.2
West Utr Bank	50	......

NORWAY

Sept. 18	Price Kroner	+ or —
Bergens Bank	172.5	......
Borregaard	355	......
Christiania Bank	199	—2
DenNorske Cred	172.5	—1
Elkem	113.5	—0.5
Kosmos	147	—1
Kvaerner	180	+5
Norcem	108	—3.5
Norsk Data	222	—5.5
Norsk Hydro	149.5	—6.5
Storebrand	255	—2

SPAIN

Sept. 18	Price Pts %	+ or —
Bco Bilbao	1,250	......
Bco Central	830	......
Bco Exterior	410	+15
Bco Hispano	470	......
Bco Popular	1,285	—20
Bco Santander	840	+5
Bco Vizcaya	1,890	......
Dragados	346	—5
Hidrola	119.5	+9.5
Iberduero	166.5	......
Petroleos	349.5	+2
Telefonica	181.7	+1.2

SWEDEN

Sept. 18	Price Kroner	+ or —
AGA	195	—5
Alfa-Laval B	318	—2
ASEA (Free)	342	—5
Astra (Free)	614xc	—6
Atlas Copco	228	+1
Cardo (Free)	305	......
Cellulosa	259	—2
Electrolux B	299	—2
Ericsson B	234	—2
Esselte	150xc	......
Mo och Domsjo	300	......
Pharmacia	167	—1
Saab Scania Free	730	+5
Sandvik	164	—2
Skandia	500	......
SKF	341	—4
Sonnesson	180	......
StoraKopparbrg	514	+1
Swedish Match	401	......
Volvo B (Free)	375	—1

SWITZERLAND

Sept. 18	Price Frs.	+ or —
Adia Intl	7,250	—50
Alusuisse	690	—30
Bank Leu	3,700	—50
Brown Boveri	1,560	—45
Ciba Geigy	3,300	—200
do. (Part Certs)	2,475	—150
Credit Suisse	3,630	—90
Elektrowatt	3,350	—75
Fischer (Geo)	1,850	—20
Hoff-Roche PtCts	134,750	—3250
Hoff-Roche 1/10	10,500	—425
Jacobs Suchard	7,925	—35
Jelmoli	3,625	—100
Landis & Gyr	1,880	—70
Nestle	8,250	—100
Oer-Buehrle	11,595	—20
Pirelli	446	—19
Sandoz (Br)	10,600	—600
Sandoz (Pt Cts)	1,590	—85
Schindler (Pt Cts)	605	—35
Sika	1,625	......
Surveillance A	7,350	—150
Swissair	1,350	—30
Swiss Bank	526	—15
Swiss Reinsce	15,600	—400
Swiss Volksbk	2,540	—50
Union Bank	6,600	—150
Winterthur Inh	6,350	—350
Zurich Ins.	7,300	—200

AUSTRALIA

Sept. 18	Price Aust. $	+ or —
ACI Intl	3.68	+0.05
Adelaide Steams	12.1	+0.1
Amcor	3.4	+0.05
ANZ Group	4.95	—0.11
Ampol Pet	2.2	......
Ashton	1.64	—0.1
Aust. Guarantee	3	—0.1
Aust. Nat. Inds	2.58	—0.02
Bell Group	9.4	—0.1
Bell Res	4.1	—0.1
Bond Corp Hldgs	9.85	—0.07
Boral	4.18	—0.07
Bougainville	3.03	—0.07
Brambles Inds	6.24	—0.06
Bridge Oil	0.68	—0.05
BHP	7.68	—0.16

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner.

CANADA

TORONTO

Closing prices September 18

MONTREAL

Closing prices September 18

Indices

NEW YORK

** Saturday September 13: Japan Nikkei (c). TSE (c).

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued from Page 49

LONDON

Chief price changes (In pence unless otherwise indicated)

RISES

Beales (J.)	182	+ 9
Blue Circle	555	+ 6
BPCC	275	+ 15
Cont Micro	270	+ 15
DSC	68	+ 9
E. Rand Con	52	+ 4
GKN	274	+ 7
Garnar Booth	196	+ 12
Glaxo	980	+ 10
GM Kal	160	+ 22
Imry Prop	380	+ 10
Magnet	192	+ 6
More O'F	143	+ 13
NatWest	546	+ 6
RTZ	614	+ 27
Rowntree Mac	390	+ 12
Smith New	187	+ 6
Time Prod	80½	+ 6
Trent Hldg	94	+ 10
Westwood D	74	+ 6
Wolstenholme R	235	+ 15

FALLS

Tr 13% 1991	£103⅝	— 1⅜
Tr 13% 2000	£116⅜	— 2⅜
Tr 2½ 20	£94⅜	— ⅝
Allied-Lyons	316	— 17
Brockon	141	— 9
Conroy Petrol	142	— 8
DPCE	240	— 10
Storehouse	325	— 10
Woolworth	650	— 25

REVISED NOTICE OF REDEMPTION To the Holders of

Exxon Finance N.V.

11% Guaranteed Notes Due October 1, 1987

NOTICE IS HEREBY GIVEN to the holders of 11% Guaranteed Notes due October 1, 1987 (the "Notes") of Exxon Finance N.V. (the "Company") pursuant to Section 15.02 of the Indenture dated as of September 15, 1982 among the Company, Exxon Corporation, Guarantor and Manufacturers Hanover Trust Company, Trustee, and the provision of the Notes that the Company has exercised its option to redeem all of the outstanding Notes on October 1, 1986 (the "Redemption Date") at 100% of the principal amount thereof (the "Redemption Price") plus accrued interest to the Redemption Date. Interest on the Notes will cease to accrue on and after October 1, 1986.

EXXON FINANCE N.V.

Dated: August 29, 1986

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
28½	13¾	AAR s	.44	2.6	17	994	22¼	21⅞	22	
30	21⅜	ADT	.92	3.8		498	24⅞	23½	23½	−⅜
33	11½	AFG s	.08i	.3	15	358	27¾	27½	27⅝	+⅛
25⅜	13¾	AGS			12	25	17⅞	17⅜	17⅜	
15	9⅞	AMCA			263	1	10½	10½	10½	−⅛
60⅝	37½	AMR			14	3560	54¾	53⅛	54⅜	+1
27½	23¼	ANR pf2.67		10.		2	25⅞	25⅞	25⅞	
24	19¼	ANR pf2.12		9.9		139	23½	30¼	23½	+½
12½	8½	APL			6	11	11⅝	11½	11⅝	+¼
16⅜	10	ARX	.71i	6.3	11	51	11⅝	11⅛	11¼	
40⅞	26¾	ASA	2a	5.1		840	39⅞	39⅛	39½	+½
18⅜	9¾	AVX		3.1		77	10⅜	10⅜	10⅜	−⅜
32	22⅝	AZP	2.72	9.8	8	1252	29¼	28⅞	28	
55	26⅜	AbtLb s .84		2.6	19	3884	42¼	42	42⅛	−⅜
32	19⅝	AccoWd.88		2.2	17	361	25¾	30⅛	25¾	+⅜
14⅞	9	AcmeC .40		4.1		216	10	9⅞	9⅞	−¼
9¼	6¾	AcmeE.32b		4.6	14	185	6⅞	d	6¼	6⅜
22⅜	17	AdaEx 1.90e		8.7		50	20⅛	19⅝	19⅝	−⅜
33⅜	16⅞	AdmMl .40		1.6	11	6	25⅜	25½	25⅛	−⅜
20⅜	12	AdvSys.83i		5.7	13	203	15	14	14⅜	+⅜
32⅞	14⅛	AMD				2313	17⅞	17⅛	17¾	+⅜
12⅝	5⅝	Adobe s				81	9⅞	6⅜	6¾	
16⅜	13¾	Adob pf1.84		12.		47	15½	15½	15½	−⅛
20¼	15¼	Adob pf2.40		13.		5	18½	16½	18⅛	+¼
16⅜	7¾	Advest .12a		1.0	9	132	12⅜	12	12⅜	+¼
66¼	42¼	AetnLf 2.64		4.7	9	3118	57½	56⅜	56⅜	−½
56½	51½	AetL pf4.69e		8.9		224	52¾	52⅛	52¾	

[illegible]

Continued on Page 49

NYSE COMPOSITE CLOSING PRICES

Continued from Page 48

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										
46¼	20⅜	SavE	1.04	3.1		2	42⅜	42⅜	42⅜	−⅛
14½	11	SavE pf1.28		9.5		8	13⅝	13½	13½	−¼
7¼	2	Savin				89	2⅜	2¼	2¼	
12⅞	3⅜	Savin pf				1	3⅜	3⅜	3⅜	
42⅞	23⅜	SCANA	2.24	6.9	12	688	37⅛	36⅝	37⅛	+⅛
88	45½	SchrPlg	.80	2.5	20	1512	72½	71	71¾	−⅞
37¾	27¼	Schlmb	1.20	3.7	215	8410	32¼	30⅝	32¼	+1⅝
14⅛	6½	SciAtl	.12	1.4		275	8⅞	8¾	8¾	−⅛
68¼	40	ScottP	1.24	2.1	12	1430	60¼	59½	59¾	−⅛
16⅛	12⅜	Scottys	.52	3.7	15	360	14¼	13⅞	13⅞	−⅜
34¼	18⅜	SeaCnt	.42	2.2		150	19¼	19	19	−½
14⅛	10¼	SeaCt pf1.46		14.		27	10¾	10½	10½	−⅜
16⅞	11	SeaC pfB2.10		15.		87	14⅛	13⅝	13⅝	−⅜
17	10½	SeaC pfC2.10		15.		92	14⅛	14	14	−⅛
[illegible]										
37¾	17⅞	TycoL s	.40	1.2	17	584	34	32¾	33⅞	+1⅛
17¾	11¼	Tyler	.40	3.1	17	646	13½	13	13	−¼
		U U U								
64¾	45	UAL	1	1.8		2003	56¼	55	55⅝	+⅝
24¼	13¼	UCCEL			18	401	21¼	20¼	21⅛	+¼
26¾	14⅞	UDC s	2	11.	8	518	18⅜	18	18⅞	+½
28¼	20	UGI	2.04	7.7		129	26⅞	26⅛	26½	+⅜
13¾	9	UNCInc			12	68	10⅝	10⅜	10⅝	
16⅜	10⅞	URS	.35r	9.4		50	14¾	14½	14¾	
46⅜	36¼	USFG	2.32	6.0	31	2130	39¼	38⅜	38⅞	
57¾	52¾	USFG pf4.10		7.4		128	55⅝	55¼	55⅜	+⅛
45½	18¼	USG s	1.16	2.5	12	10992	u46½	42⅞	45	+2
33	14⅛	USX	Cp1.20	5.3		4063	22⅜	21⅝	22½	+⅜
[illegible]										
31	26⅜	Wrigly s	.36	2.3	16	271	42¼	41⅞	41⅞	−⅜
4⅛	1⅜	Wurltzr				48	1⅜	1⅜	1⅜	
17½	10⅞	WyleLb	.32	2.7	29	788	18	11⅞	12	+¼
25¾	13	Wynns	.60	2.8		28	21¾	21½	21½	
		X Y Z								
72¼	45¾	Xerox	3	5.8	16	3252	52⅞	51	52	−⅞
58¼	54	Xerox pf5.45		9.8		612	55½	55¼	55¼	−⅜
38¾	20⅝	XTRA	.64	2.9		76	22¼	21½	22¼	+⅜
17⅝	13½	Yorkin n				702	15⅝	15⅜	15⅝	
39	26⅜	ZaleCp	1.40	4.0		126	34⅞	34½	34⅞	+⅛
9½	3¼	Zapata	.08j			320	3⅛	3⅜	3⅛	
45⅞	23¾	Zayre s	.32	1.3	17	7980	25½	20	25	−¼
29⅞	15¼	ZenithE				1526	20⅞	20⅛	20⅜	+⅜
18¼	8	ZenLb s			12	1611	9⅜	8⅝	8¾	−⅜
22⅜	14⅛	Zero s	.29	2.0	14	53	14⅝	14¼	14½	+¼
45¾	32¾	Zurnln	1.32	3.7	13	116	36	35½	35½	−⅜

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

OVER-THE-COUNTER

Nasdaq national market, closing prices

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]					

Continued on Page 47

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Unmoved by data and currencies

A LACK of direction left stock and bond prices on Wall Street drifting while foreign exchange markets provided all the sharp reactions to economic news and official comments, *writes Roderick Oram in New York.*

The bond market was unmoved by economic data released yesterday which failed to bring the expected upward revision in second-quarter GNP growth.

The Dow Jones industrial average closed up 4.78 points at 1,774.18 points. Trading was a moderate 132.47m shares but for a third session this week declining shares outnumbered advancing despite the higher indices.

An obvious lack of leaders for a further advance created uncertainty in the market, said Mr Brian Fabbri of Thompson McKinnon. "There are no easy ways for portfolio managers to get on and ride," he said.

Investors were also continuing to be cautious about today's trading when options and futures on stock indices and futures on stocks expire simultaneously.

Blue chip stocks as measured by the Dow Industrial Average outperformed the market as a whole. The New York Stock Exchange composite index of all stocks gained 0.20 points to 133.65.

Among the blue chips, IBM was up $⅝ to $138⅞, Westinghouse Electric was down $½ at $53, Sears Roebuck was unchanged at $40⅛ and General Motors up $⅜ at $69⅞.

Union Pacific fell $⅜ to $58 after it launched a $1.2bn takeover of Overnight Transport at $11⅛ to $42⅞ on heavy volume.

USX, the leading US steel producer, was again among the most actively traded stocks on reports that leading financiers Mr Robert Holmes à Court and Mr Carl Icahn were buying stakes. Its price rose $1⅛ to $22⅞ with nearly 6m shares changing hands. Mr Icahn was unavailable for comment.

Similar pressure continued on Lucky Stores, a retail chain, which gained $⅝ to $30⅜ on reports that Mr Asher Edelman was acquiring shares.

Johnson and Johnson lost $1⅛ to $61⅞ but later recouped a little to $62⅛ after a court ruling that the group rather than its insurer was liable to the $100m cost of a drug recall.

Honeywell fell back $5⅜ to $72⅞ when it announced large job cuts and the possibility of acquiring Sperry's aerospace unit. The computer and control group's price soared Wednesday on suggestions that it would break itself up.

Resorts International, a major casino group subject to a takeover bid from Pratt Hotels, saw further progress in its A shares rising $⅝ to $52½.

Following announcement of an agreed investor group buy out of Western Pacific Industries at $155 a share, its price jumped $24⅛ to $158⅞.

Market unease about the financial health of Bank of America persisted yesterday forcing the bank to deny reports it was holding special meetings with the Federal Reserve Board. Its shares fell $⅜ to $10⅞, a low for the year.

The continuing pressure on the bank was not a factor in the small rise in bank certificate of deposit rates, money market analysts said. The rise in yield ranged from six basis points at the short end of 5.85 per cent to eight points in the middle at 5.85 per cent.

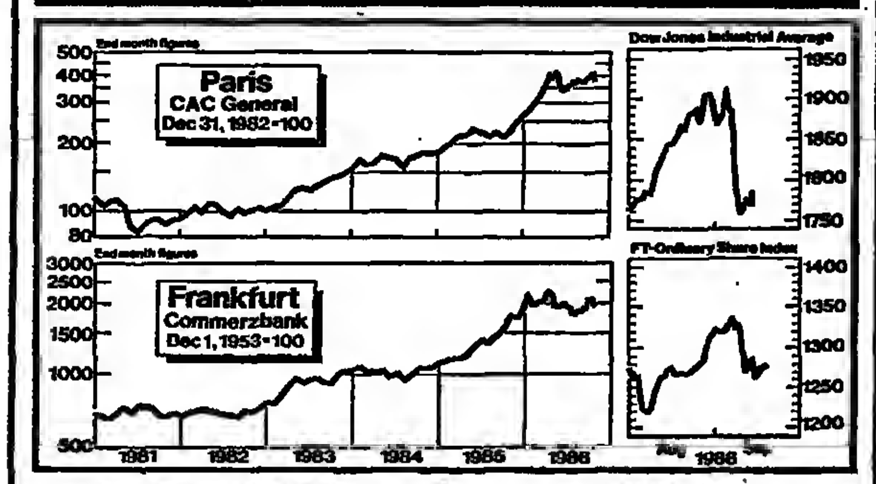
An influx of funds into credit markets was expected yesterday because it was settlement day covering last week's steep sell off of shares.

Noon the less, Treasury bill yields rose with three month bills yielding 5.34 per cent, a gain of 10 basis points, six months yielding 5.63 per cent, also up 10 basis points and 12 months 5.79, up seven basis points.

Yesterday's economic data indicated a somewhat slower rate of growth and faster rate of inflation in the second quarter than expected but with the market now more concerned about the third quarter the figures had little effect.

The price of the benchmark 7.25 per cent Treasury long bond due 2016 fell steadily during the day, however, to close ⅜ down on the day at 94⅞ at which it yields 7.72 per cent.

KEY MARKET MONITORS



STOCK MARKET INDICES

	Sept. 18	Previous	Year ago
NEW YORK			
DJ Industrials	1,774.18	1,769.40	1,300.40
DJ Transport	766.25	747.25	648.29
DJ Utilities	200.10	200.65	153.31
S&P Composite	232.31	231.68	181.71
LONDON			
FT Ord	1,279.6	1,275.2	1,007.80
FT-SE 100	1,614.2	1,610.4	1,294.80
FT-A All-share	796.65	793.74	633.70
FT-A 500	875.80	871.65	695.65
FT Gold mines	317.2	316.6	308.60
FT-A Long gilt	10.19	10.04	10.39
TOKYO			
Nikkei	17,478.35	17,336.62	12,529.7
Tokyo SE	1,445.70	1,438.48	1,003.73
AUSTRALIA			
All Ord.	1,199.2	1,214.2	945.4
Metals & Mins.	602.2	608.0	511.0
AUSTRIA			
Credit Aktien	238.32	238.35	196.84
BELGIUM			
Belgian SE	3,891.03	3,928.88	2,472.65
CANADA	Sep 18	Prev	Year ago
Toronto			
Metals & Minls	2,163.3	2,161.30	1,912
Composite	2,984.4	2,991.30	2,652.1
Montreal			
Portfolio	1,505.30	1,507.01	130.51
DENMARK			
SE	196.6	n/a	216.01
FRANCE			
CAC Gen	372.70	377.90	218.0
Ind. Tendance	144.10	145.20	79.81
WEST GERMANY			
FAZ-Aktien	651.77	660.51	522.64
Commerzbank	1,962.10	1,992.40	1,541.1
HONG KONG			
Hang Seng	1,925.82	1,921.99	1,563.62
ITALY			
Banca Comm.	764.05	757.68	399.17
NETHERLANDS			
ANP-CBS Gen	281.60	282.50	220.0
ANP-CBS Ind	284.10	285.80	192.1
NORWAY			
Oslo SE	369.47	373.91	365.99
SINGAPORE			
Straits Times	823.18	817.55	766.95
SOUTH AFRICA	Sep 18	Prev	Year Ago
JSE Golds	—	1,960.0	1,034.9
JSE Industrials	—	1,375.0	948.9
SPAIN			
Madrid SE	192.95	192.60	80.56
SWEDEN			
J & P	2,476.10	2,482.56	1,361.88
SWITZERLAND			
Swiss Bank Ind	535.50	551.60	491.7
WORLD	Sept 17		
MS Capital Int'l	336.50	336.10	212.0

COMMODITIES

(London)	Sep 18	Prev
Silver (spot fixing)	390.30p	393.35p
Copper (cash)	£934.50	£929.00
Coffee (Sept)	£2,442.5	£2,435.00
Oil (Brent blend)	$13.75	$13.55

GOLD (per ounce)

	Sep 18	Prev
London	$419.75	$413.625
Zürich	$418.375	$412.875
Paris (fixing)	$416.89	$412.50
Luxembourg	$416.25	$412.20
New York (Dec)	$422.60	$418.80

CURRENCIES

	US DOLLAR		STERLING	
(London)	Sep 18	Previous	Sep 18	Previous
$	–	–	1.4725	1.4760
DM	1.9800	2.0275	2.93	3.0250
Yen	153.60	154.75	226	230.75
FFr	6.52	6.645	9.6025	9.905
SFr	1.6100	1.6395	2.37	2.445
Guilder	2.2535	2.2900	3.3175	3.4125
Lira	1.375	1.400.5	2,024.5	2,085
BFr	41.25	42.05	60.75	62.60
C$	1.3870	1.3905	2.0388	2.0459

INTEREST RATES

	Sep 18	Prev
Euro-currencies (3-month offered rate)		
£	10 7/16	10
SFr	4 7/16	4 7/16
DM	4⅝	4⅝
FFr	7⅝	7 7/16
FT London Interbank fixing (offered rate)		
3-month US$	6 1/16	6⅛
6-month US$	6 1/16	6⅛
US Fed Funds	5 13/16*	5⅞
US3-month CDs	5.65*	5.70
US3-month T-bills	5.205*	5.115

US BONDS

Treasury

		September 18*		Prev	
		Price	Yield	Price	Yield
6⅜	1988	99 11/32	6.45	99 15/32	6.363
7¼	1993	99 15/32	7.362	99 13/32	7.326
7⅜	1996	98 20/32	7.553	98 27/32	7.53
7¼	2016	94 20/32	7.69	95 1/32	7.658

Source: Harris Trust Savings Bank

Treasury Index

Maturity (years)	Return index	Sep 18* Day's change	Yield	Day's change
1–30	155.07	+0.12	7.17	–0.00
1–10	148.54	+0.08	6.85	–0.01
1– 3	139.73	+0.04	6.39	–0.01
3– 5	150.95	+0.07	7.06	–0.01
15–30	178.61	+0.27	6.27	–0.01

Source: Merrill Lynch

Corporate	September 18* Price	Yield	Prev Price	Yield
AT & T				
3⅞ July 1990	91.125	6.411	91.5	6.449
SCBT South Central				
10⅞ Jan 1993	105.875	9.639	100.875	9.639
Phibro-Sal				
8 April 1996	98.5	8.229	98.375	8.248
TRW				
8⅜ March 1996	101.5	8.514	101.375	6.533
Arco				
9⅞ March 2016	104.75	9.395	104.75	9.395
General Motors				
8⅜ April 2016	89.5	9.159	89.5	9.159
Citicorp				
9⅜ March 2016	96.75	9.71	96.25	9.763

Source: Salomon Brothers

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT) 8% 32nds of 100%				
Sept	95–14	96–27	95–12	96–11
US Treasury Bills (IMM) $1m points of 100%				
Sept	n/a	94.90	94.77	94.88
Certificates of Deposit (IMM) $1m points of 100%				
Sept	n/a	n/a	n/a	94.30
LONDON				
Three-month Eurodollar $1m points of 100%				
Dec	93.94	94.01	93.92	93.95
20-year National Gilt £50,000 32nds of 100%				
Sept	111–12	114–07	114–07	114–07

* *Latest available figures*

TOKYO

Shares rally in cautious atmosphere

DESPITE the decline on Wall Street, share prices rallied yesterday in Tokyo for the first time in five sessions, *writes Shigeo Nishiwaki of Jiji Press.*

But buying was mainly from major securities house dealers and investment trusts, with market observers saying prices may not yet have hit bottom.

The Nikkei Average was firm throughout the day, closing 141.73 higher at 17,478.35. But volume was low at 625m shares against 596m Wednesday. Advances outnumbered declines 412 to 406 with 146 issues unchanged.

Volume leaders were large-capital stocks related to the Tokyo Bay redevelopment project. The busiest was Ishikawajima-Harima Heavy Industries with 93.5m shares changing hands, adding Y8 to Y495. Nippon Kokan, second most active with 88.7m shares traded, advanced Y14 to Y300 while Tokyo Gas jumped Y27 to Y969 on the third heaviest trading of 62.3m shares.

However, other large-capital issues with no property holdings in the Tokyo Bay area were generally neglected. Trading in Nippon steel shares totalled only 19.4m shares and the price closed at Y209, up Y2. Kawasaki steel dipped Y1 to Y230, while Mitsubishi Heavy Industries fell Y24 to Y579. Tokyo Electric Power, which had been popular on the merits of the strong yen, the drop in crude oil prices and lower interest rates, remained firm, finishing Y30 up to Y6,260. But its volume was thin at 1.6m shares.

With the rise in the yen, blue chips gained ground on a broad front. Demand for these issues was bolstered by investment trust management firms, which will set up nine new trusts on Friday for a total of Y266bn, including Y160bn for stocks.

NEC rose Y110 to Y2,040, matching its all-time high registered on September 11, on transactions of 16.1m shares, the sixth largest. It temporarily reached Y 2,060.

Bond trading was limited to speculative transactions between banks and securities house dealers. But the yield on the 6.2 per cent government bond maturing in July 1995 dropped from 4.745 per cent Wednesday to 4.710 per cent. US Treasury Secretary James Baker's remark that the dollar needs to go down further had little impact on the market, observers said. The firmness of the benchmark issue was attributable more to the Y0.38 advance in the December futures contract to Y103.58, they added.

SOUTH AFRICA

GOLDS reached news peaks in Johannesburg as the All Gold index edged 4 points higher to 1,964.

Kinross, however, weakened R1.50 to R61.50 in further reaction to the disaster at its mine earlier this week while Southvaal added R3 to R180. Driefootein gained R1.50 to R76.75 although Buffels was unchanged at R104.

Among industrials, Barlow Rand was 5 cents higher at R20.65 and SA Breweries was 35 cents up at R15.75.

CANADA

A CAUTIOUS mood developed in Toronto ahead of a fiscal policy statement from the Finance Minister. Golds and metals turned slightly higher as oil and industrials weakened.

Dome Petroleum was actively traded 3 cents down to 99 cents ahead of its proposed recapitalisation plans.

Banks were also active with Bank of Mootreal unchanged at C$33½, Royal Bank of Canada steady at C$17⅝ as Bank of Nova Scotia traded C$⅛ off at C$15⅛.

Among mines Echo Bay added C$⅛ to C$29⅞ and Dome Mines slipped C$⅛ to C$10⅞.

Montreal was also broadly steady.

EUROPE

Uncertainty fuelled by dollar's fall

NERVOUSNESS about the weakening dollar and uncertainty over the future trend of world stock markets cast a pall over Europe yesterday, leaving all but a handful of bourses lower at the end of the session.

Frankfurt recorded its fourth fall this week, reflecting investor concern over the dollar's effects on the country's export-oriented industries.

The Commerzbank index shed a further 30.1 to 1,962.1 bringing its total fall since last Thursday to 127 points.

Car makers continued to decline with Porsche – heavily dependent on US sales – down DM 68 at DM 1,042 following Wednesday's DM 50 loss. Daimler was a hefty DM 33 lower at DM 1,192 (down DM 38 on Tuesday), BMW fell DM 15 to DM 583 and VW lost DM 11.50 to DM 496.50.

The banking sector was also unsettled by worries over interest rates. Deutsche Bank led the falls with a DM 9.50 loss to DM 760; Dresdner Bank was DM 6 lower at DM 412 and Commerzbank fell DM 1.50 to DM 335.

Among electricals Siemens, which announced it was bidding for ITT's Spanish subsidiary with Canada's Northern Telecom, fell DM 14.40 to DM 663.10. AEG fell DM 6 to DM 303 and computer group Nixdorf was DM 4 lower at DM 671.

Elsewhere chemical stock BASF, which said it planned to boost US sales, was DM 4.90 down at DM 269.60 and Hoechst fell DM 4 to DM 257.

Retailer Kaufhof was one of the day's few gainers adding DM 5 to DM 497.

In the bond market longs gained as much as 80 basis points although rises were mostly between 30 and 50 basis points. The average yield fell 4 basis points to 5.37 per cent.

The Bundesbank sold DM 57.7m worth of paper in its daily market balancing operation. It bought DM 44.7m worth of paper on Wednesday.

Amsterdam saw widespread falls among unsettled internationals. The market was also taken lower by sterling's continuing weakness which discouraged investors from the UK.

Among internationals, Akzo shed FL 6.10 to Fl 151.90 ex-rights, Royal Dutch was Fl 1.60 down at Fl 199.40, Unilever fell Fl 4 to Fl 476.50, Philips lost 90 cents to Fl 50.30 and KLM also eased 90 cents to Fl 43.60.

Elsewhere distiller Bols, which reported higher first-half earnings earlier this week, closed Fl 2.50 up at Fl 159.50, after losing Fl 3.50 on Wednesday.

Banks, insurers and publishers were all generally lower.

Zurich suffered active selling pressure in most sectors and closed sharply down.

Export-oriented industrials were particularly badly hit with Nestlé losing SFr 100 to SFr 8,250 and Ciba-Geigy SFr 200 to SFr 3,300.

In the financial sector UBS lost SFr 150 to SFr 5,600, Bank Leu SFr 50 to SFr 3,700 and Swiss Re SFr 400 to SFr 16,600.

Consumer stocks went against the lower trend showing little change if any. Mövenpick was steady at SFr 6,400 while Jacobs-Suchard slipped SFr 25 to SFr 7,925.

Brussels faced a bout of late profit-taking as investors reacted unusually to international pressures.

Petrofina continued its downward trend losing BFr 190 to BFr 9,010, Gevaert fell BFr 40 to BFr 6,030, Société Générale de Belgique lost BFr 60 to BFr 3,000 and Banque Bruxelles Lambert was BFr 110 lower at BFr 3,100.

Bekaert, which announced plans to build a steel-cord factory in the US lost BFr 300 to BFr 10,700.

Paris eased despite some late buying which lifted prices off the day's lows.

Among the losers were car-maker Peugeot down FFr 18 to FFr 1,082 construction group Bouygues down FFr 6 at FFr 1,269 and store group Printemps whose shares will be traded continuously from September 23, down FFr 26 at FFr 524.

Milan ended marginally firmer against the trend but well back from the day's highs.

Fiat continued to rally, adding L780 to L15,800 on hopes of higher first-half results due next week and its rival bid for Alfa Romeo.

Elsewhere Olivetti was L50 down at L17,400 while Generali added L1,800 to L166,000.

Stockholm where the discount rate has been cut to its lowest level in seven years, retreated with many institutions absent from the market. Oslo was again taken lower by uncertainty over oil prices and domestic factors and Madrid edged higher in light trading.

LONDON

INTERNATIONALS were the first to benefit in London from the weaker pound yesterday although late uncertainty over interest rates cut the advance. The FT Ordinary index finished 4.4 up, at 1,279.6 while the FT-SE 100, up 14 points by 3pm, closed only 3.8 higher at 1,614.2.

NatWest added 6p to 540p in response to its US moves while Allied Lyons plunged 17p to 316p after the dropping of the Elders bid for the group. Other features included a 8p rise to 443p and a 10p advance for Glaxo to 980p in active trading.

The gilt market was perturbed by the ailing pound and longs plunged by up to 2 full points before steadying and shorts suffered falls of nearly a point.

Chief price changes, Page 47, Details, Page 46; Share information service, Pages 44–45

AUSTRALIA

BANKS stayed at the centre of attention in Sydney as further rate fears combined with the unease from Asian and US markets.

The All Ordinaries index closed 15.6 down at 1,199.2. National turnover was 103m shares compared with Wednesday's 121m.

National Australia dropped 24 cents to A$5.10 making for a two-day fall of 38 cents. ANZ lost a further 11 cents to A$4.95 while Westpac surrendered 10 cents to A$4.45 in heavy turnover of 700,000 shares.

HONG KONG

SPORADIC bargain hunting and bullish sentiment oo the domestic economy boosted Hong Kong slightly and took the Hang Seng index 3.83 higher to 1,925.82.

The revision, by Financial Secretary Piers Jacobs, of the government's 1986 economic growth forecast to 5.6 per cent from 4.5 per cent underpinned the firmer tone.

SINGAPORE

STEADY bargain-hunting and short-covering pushed prices higher in Singapore and boosted the Straits Times industrial index 5.63 to 823.18. Turnover jumped to 17.3m shares from Wednesday's 12.3m.

GAF, most active with 5.8m shares traded, finished 10 cents higher at S$1.13 after an early block trade of 5.6m shares at S$1.05.